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**THE EFFECT OF PROFITABILITY, CAPITAL STRUCTURE, AND
CORPORATE VALUE ON STOCK RETURN
(PHARMACEUTICAL SUB SECTOR IN INDONESIA STOCK EXCHANGE 2015-2017)**

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Abstract: This study aims to examine and analyze the influence of ROA, DER, PBV to return stock in a pharmaceutical company. Phenomena research on sub pharmaceutical sector because in recent years, especially in 2015-2017, pharmaceutical company stock returns decrease compared to other sub-sectors. The importance of this research was conducted to test and analyze the influence of ROA, DER, and PBV to return stock in companies in the Pharmaceutical Sector Sub listed in the Indonesia Stock Exchange. The study uses annual data for the observation period from 2015 up to 2017. The study was descriptive causality. The data used is the data panel that is a combination of annual time serial data and cross section which is processed using panel data regression analysis. The population is all Pharmaceutical Company listed on the Indonesia Stock Exchange in 2015 until 2017 with a sample of eight companies. The results of this study indicate that Return On Asset (ROA) has no effect and significant on stock returns, Debt to Equity Ratio (DER) has no significant negative effect on stock returns, Price to Book Value (PBV) significant negative effect on stock returns..

Keywords: ROA, DER, PBV and Stock Return.

INTRODUCTION

The capital market is a meeting between the parties surplus funds to those who need funds to trade in long-term funds in the form of long-term financial instruments such as stocks and bonds. Capital markets become the meeting point between the two sides to bridge the flow of funds from those who have excess funds to those in need of funds. With the capital markets to encourage the creation of an efficient allocation of funds both for the parties that have excess funds are to invest, as well as those in need of funds in order to expand its business and improve its working capital structure.

Every country has the capital market is no exception with the Indonesian state. The development of capital markets in Indonesia, has been increasing, it can be proved by the increasing number of companies listed in Indonesia Stock Exchange under. Capital market development in Indonesia can not be separated from the growing knowledge society. People are starting to observe the stock market to see opportunities in investing. Since the main purpose of investors to invest is to obtain high profits. For the investors, the return is one of the benchmarks to assess how much profit a stock. Investors will invest in the capital market by considering the company's shares which are the most profitable

Capital market in Indonesia has a lot of sectors and industries, one of which is the consumer goods industry. Consumer goods industry sector consists of 5 sub-sectors, namely food and beverage sub-sector, sub-sector, non pharmaceutical sub-sector, sub-sector and sub-sector cosmetics household appliances. In this study the researchers' attention is sub pharmaceutical sector because in recent years, especially in 2015-2017 decreased pharmaceutical company stock returns compared to other sub-sectors.

Stock returns that occur in a row from 2015-2017 years in the consumer goods industry sectors as follows:

Table 1. Data Return stock Consumer Goods Industry Sector 2015-2017

NO	SUB SECTOR	STOCK RETURNS		
		2015	2016	2017
	PHARMACEUTICAL			
1	SECTOR SUB HOUSEHOLD EQUIPMENT	3.3335	0.9527	0.1943
2	SECTOR SUB SUB SECTOR	-0.0128	0.1242	0.2479
3	COSMETICS	-0.0887	0.0563	0.1335
4	CIGARETTE SUB SECTOR	0.3629	0.4096	0.0060
5	FOOD AND DRINK SECTOR SUB	-0.4801	0.2161	0.1722

Sub pharmaceutical sector in recent years, especially in 2015-2017 decreased stock returns compared to other sub-sectors.

Hence the importance of this study is expected to be a picture and can provide input and analysis to investors who are interested to invest in the pharmaceutical sector, but it can help investors judge based on the company's fundamentals, which companies are safe and good for them to invest. So that investors can receive the results (return) according to what they expect from the funds they had acquired in investing. Based on the above, it should be investigated stock returns pharmaceutical sub-sector in Indonesia Stock Exchange (BEI) in the period 2015-2017 by using ROA, DER, PBV.

LITERATURE REVIEW

Several previous studies related to this study has been carried out by some previous researchers, such as: Putra and I Made Dana (2016), Herawati (2017), Winarto (2015), Tamunu and Farlane (2015), Pantow et al (2015), Mahdaleta et al (2016), Ghi (2015), Rasyid

(2015), Hasbi (2015), Abdullah et al (2015), Dita and Isrochmani (2014) , Senyigit and Yusuf Ag (2014), Tahir et al (2013), Martini et al (2014).

Definition of capital market under the capital market law No. 8 activities in 1995 is concerned with the public offering and trading of securities, public companies related to securities issuance, and professional institutions related to effects. Capital markets (capital markets) are a market for a variety of long-term financial instruments that can be traded, either in the form of debt or equity capital. (Saleh Basir, 2005).

The arbitrage pricing theory was developed by the economist Stephen Ross in 1976, as an alternative to the capital asset pricing model (CAPM), Unlike the CAPM, the which assume markets are perfectly efficient, APT assumes sometimes misprice securities markets, before the market corrects and securities Eventually move back to fair value. Using APT, arbitrageurs hope to take advantage of any deviations from fair market value.

Signalling Theory, Ross (1977) Nevertheless, even without Reviews These extensions, the simple incentive-signalling models developed in this paper Provides a theory for the determination of the financial structure of the firm. The Assumptions of perfection and competition in financial markets underlie not only the Modigliani-Miller irrelevancy theory, but Also the capital asset pricing models and the option pricing literature. If we must drop Reviews These Assumptions to build a more realistic theory of corporate finance, then we should Also be prepared to develop pricing theories in imperfect markets. The incentive-signalling models, though, Provide a role for the corporate finance within the framework that supports both the pricing theories and the Modigliani-Miller theory.

Profitability ratio is the ratio used to measure the efficiency of the use of company assets or the ability of a company to generate profit for a certain period (Irawati, 2006: 58). In this study, the profitability was assessed by the ratio of return on assets (ROA). Return on assets (ROA) is a measure of profit per dollar of assets. (Ross, 2010). It can be defined Several ways, but the common is:

$$ROA = \frac{\text{Net income}}{\text{Total Assets}}$$

Capital Structure According to Fahmi (2014), the capital structure is a description of the form of the proportion of the financial company that is among the capital owned sourced from long-term debt (long-term liabilities) and equity (shareholders' equity), which became a source of financing an enterprise , DER Reflects the company's ability to meet all obligations indicated resources by some sections of equity capital used to pay debts. DER shows the balance between the levels of leverage (use of debt) Compared to the company's own capital. Level of debt to a high equity ratio (DER) shows the composition of higher total debt (short-term debt and longterm debt) in comparison with the total capital, so this will have an impact on the greater burden on companies to external parties (creditors) , Also DER Gives Assurances on how much the company debt secured by the company's own capital the which is used as a business funding. (Ang: 1997).

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Company Value, According Irawan (2012) the value of the Company is a condition that has been achieved by a company as an overview of public confidence in the company after going through a process of several years, namely since the company was founded until now. The company value is the selling value of a company as a business that is operating. The ratio of a stock's market price to its book value Gives another indication of how investors regard the company. Companies with Relatively high rates of return on equity Generally sell at higher multiplies of book value than Reviews those with low returns. (Brigham, 2005)

$$PBV = \frac{\text{Market Price}}{\text{Book Value}}$$

Stock returns, Jones (2013: 139), return is a motivation that can influence in the investment process and is an award given on decision-making in investment.

$$R_s = \frac{P_t - P_{t-1}}{P_{t-1}}$$

Information :

R_s : Return Stock

P_t : The stock price of the current period

P_{t-1} : The share price the previous period

Based on the literature reviews that mentioned above, the theoretical framework of the research is as follows:

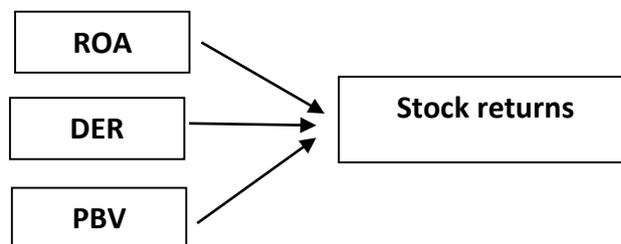


Figure 1. Theoretical Framework

RESEARCH METHODS

This research is a causal research to determine the effect of profitability, capital structure and value of the company to return early. The independent variables are financial factors such as return on assets ratio, debt to equity ratio and price to book value ratio. The data used in the Company's financial data from the pharmaceutical sub-sector in the period 2015 to 2017. The samples were collected from eight pharmaceutical companies. Methods of data analysis used in this study is panel data regression analysis method. Panel data regression analysis is used to determine the effect of the independent variable on the dependent variable. Panel data regression equation is as follows:

$$Y_{it} = \alpha + \beta x_{it} + \epsilon_{it}$$

where:

Y_{it} = Variable responses observation units to individuals and time

X_{it} = The predictor variables in the observation units to individual and time

α = Intercept regression model

β = The slope coefficient or coefficients directions

ε_{it} = Component error on observation units to individuals and time

Then, a test on the goodness of fit model (F-test) is conducted. This test is used to Determine Whether all of the independent variables Affect the dependent variables or not (the goodness of fit models). If the models is significant, then we will see the result of the coefficient of determination. The coefficient of determination to measure how far the model's ability to explain variations in the dependent variable. R2 small value means the ability of independent variables in explaining the variation of the dependent variable are very limited. A value close to the mean of independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2005). t test showed how far the influence of the independent variable (independent) individually in explaining the variation of the dependent variable. (Ghozali, 2005).

FINDINGS AND DISCUSSION

Table 2. Common Effect Model

Dependent Variable: Stock Return

Method: Panel Least Squares

Date: 09/28/19 Time: 15:56

Sample: 2015 2017

Periods included: 3

Cross-sections included: 8

Total panel (unbalanced) observations: 22

variable	coefficient	Std. Error	t-Statistic	Prob.
C	0.489972	0.378973	1.292893	0.2124
ROA	-6.668490	2.320130	-2.874188	0.0101
DER	-0.513448	0.351383	-1.461218	0.1612
PBV	0.170031	0.018773	9.057055	0.0000
R-squared	0.855014	Mean dependent var		0.291015
Adjusted R-squared	0.830850	SD dependent var		0.959930
SE of regression	0.394799	Akaike information criterion		1.142084
Sum squared resid	2.805588	Schwarz criterion		1.340455
Log likelihood	-8.562925	Hannan-Quinn criter.		1.188814
F-statistic	35.38341	Durbin-Watson stat		2.103508
Prob (F-statistic)	0.000000			

Common-Constant method selected when there are differences between the data-dimensional matrix in cross section. This model means that estimates the value of the constant α for all the dimensions of the cross section. Based on the results of the regression using methods common-Constant in Table 4.6 it can be concluded that the ROA and PBV yielded significant results with the acquisition probability $<\alpha 0:05$, while the variable DER results are not significant with the acquisition probability $>0:05 \alpha$. However, R-square (R²) of the method of 0.855014, Which shows the pooled regression method is able to capture the true picture of the relationship between independent variables and the dependent variable.

Table 3. Fixed Effect Model

Dependent Variable: Stock Return

Method: Panel Least Squares

Date: 09/28/19 Time: 16:00

Sample: 2015 2017

Periods included: 3

Cross-sections included: 8

Total panel (unbalanced) observations: 22

variable	coefficient	Std. Error	t-Statistic	Prob.
C	0.150924	0.614319	0.245676	0.8105
ROA	-5.759576	3.368823	-1.709670	0.1153
DER	-0.120806	0.609850	-0.198091	0.8466
PBV	0.179060	0.023721	7.548464	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.875082	Mean dependent var	0.291015
Adjusted R-squared	0.761521	SD dependent var	0.959930
SE of regression	0.468775	Akaike information criterion	1.629467
Sum squared resid	2.417254	Schwarz criterion	2.174988
Log likelihood	-6.924133	Hannan-Quinn criter.	1.757975
F-statistic	7.705810	Durbin-Watson stat	2.518403
Prob (F-statistic)	0.001130		

Based on the results using a fixed effect can be concluded that the ROA and DER provide results that are insignificant to the acquisition probability $> 0:05 \alpha$, whereas PBV variable yielded significant results with the acquisition probability $<\alpha 0:05$. For the results of the R-square (R²) of these methods provide a high enough value among the other method that is equal to 0.875082, So that the fixed effect method describes the strong relationship between the independent variable and dependent variable

Table 4. Random Effect Model

Dependent Variable: Stock Return

Method: Panel EGLS (Cross-section random effects)

Date: 09/28/19 Time: 16:02

Sample: 2015 2017

Periods included: 3

Cross-sections included: 8

Total panel (unbalanced) observations: 22

Swamy and Arora estimator of component variances

variable	coefficient	Std. Error	t-Statistic	Prob.
C	0.489972	0.449984	1.088864	0.2906
ROA	-6.668490	2.754871	-2.420617	0.0263
DER	-0.513448	0.417225	-1.230626	0.2343
PBV	0.170031	0.022291	7.627775	0.0000

Effects Specification		SD	Rho
Cross-section random		0.000000	0.0000
idiosyncratic random		0.468775	1.0000

weighted Statistics			
R-squared	0.855014	Mean dependent var	0.291015
Adjusted R-squared	0.830850	SD dependent var	0.959930
SE of regression	0.394799	Sum squared resid	2.805588
F-statistic	35.38341	Durbin-Watson stat	2.103508
Prob (F-statistic)	0.000000		

unweighted Statistics			
R-squared	0.855014	Mean dependent var	0.291015
Sum squared resid	2.805588	Durbin-Watson stat	2.103508

Based on the results of the regression using Random Effect method can be concluded that all the variables DER results are not significant with the acquisition probability $> 0:05 \alpha$, while ROA and PBV yielded significant results with the acquisition probability $< \alpha 0:05$. But the results of the R-square (R2) of this method gives a value of 0.855014 which indicates that this method is able to capture the true picture on the relationship between independent variables and the dependent variable

Table 5. Chow test

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section fixed effects

Effects Test	statistics	df	Prob.
Cross-section F	0.252452	(7,11)	0.9606
Cross-section Chi-square	3.277583	7	0.8582

Results redundant fixed effect or likelihood ratio for this model has a greater probability value of Alpha (0.05), so that H0 rejected and H1 accepted, the appropriate model from these results that is common effect (Because the probability value of $0.9606 > 0.05$).

After doing the selection equation model with Chow Test the results obtained equation model is most appropriate for this research is a common effect equation model. Linear regression equation model panel data in this study were obtained equation as follows:

$$Y = 0.489972 - 6.668490x_1 - 0.513448x_2 + 0.170031x_3$$

Table 6. F Test

<i>F-Statistic</i>	35.38341
<i>Prob (F-Statistics)</i>	0.0000

Based on Table 6, it can be seen that the F-Statistic =35.38341<3:05 (F-table) and has a probability value of F-Statistic 0.0000<0:05. So that the models used are not eligible to explain the influence of the independent variable on the dependent variable

Table 7. The coefficient of determination (R2)

R-Squared	0.855014
Adjusted R-Squared	0.830850

Based on the results of such calculations in Table 7 above it can be seen that the influence of the independent variable on the dependent variable pharmaceutical subsector company's stock price visible from Adjusted R-Squared value that is equal to 0.855014 or 85.5014%. This marks the return 85.5014% of shares that can be explained by the variation of all independent variables are ROA, DER and PBV. While the rest of 100% - 85.5014% = 14.4986% explained by other independent variables were not examined.

Table 8. t Test

variable	coefficient	Std. Error	t-Statistic	Prob.
C	0.489972	0.378973	1.292893	0.2124
ROA	-6.668490	2.320130	-2.874188	0.0101
DER	-0.513448	0.351383	-1.461218	0.1612
PBV	0.170031	0.018773	9.057055	0.0000

From the results of the model estimation, hypothesis testing is done in accordance with the purpose of the study was conducted. The t-test was conducted to determine the effect of ROA, DER, PBV and terhadap Stock returns The Sub-Sector Pharmaceutical Company partially (their own). The t-test is done by comparing the value of t arithmetic with t table. If $t > t$ table, then it is said to be a significant influence, and if $t < t$ table, then say the effect is not significant. Results of testing the hypothesis outlined below:

hypothesis 1

Ho: ROA allegedly no positive effect on Stock Return

Ha: ROA alleged positive effect on Stock Return

Based on t test at $\alpha = 5\%$ in table 4, the probability values ROA amounted 0.0101 or less than 0.05, it can be concluded ROA significant effect on Stock Return. When viewed from t table at alpha of 0.05 (one tail) $df = n-1 = 22-1 = 21$ was 1.7207, while the value of t count equal 2.874188 (negative), Means $t < t$ table, then H_0 is accepted and H_a rejected. Thus, it can be concluded ROA has no significant effect on Return Sub Shares in the Pharmaceutical Sector.

hypothesis 2

H_0 : DER allegedly no positive effect on Stock Return.

H_a : DER alleged positive effect on Stock Return,

Based on t test at $\alpha = 5\%$ in Table 4, the value of the variable probability DER of 0.1612 or greater than 0.05, it can be concluded DER no significant effect on Stock Return. When viewed from t table at alpha of 0.05 (one tail) $df = n-1 = 22-1 = 21$ was 1.7207, while the value of t count equal 1.461218 (negative), Means $t < t$ table, then H_0 is accepted and H_a rejected. Thus, it can be concluded DER significant negative effect on Return Sub Shares in the Pharmaceutical Sector.

hypothesis 3

H_0 : PBV is not expected to negatively affect the Stock Return.

H_a : PBV allegedly negative influence on Stock Return.

Based on t test at $\alpha = 5\%$ in table 4, the probability values of variables PBV as big as 0.0000 or less than 0.05, it can be concluded PBV significant effect on Stock Return. When viewed from t table at alpha of 0.05 (one tail) $df = n-1 = 22-1 = 21$ was 1.7207, while the value of t count equal 9.057055 (positive), Means $t > t$ table, then H_0 is rejected and H_a accepted. Thus, we can conclude PBV a significant negative effect on Return Sub Shares in the Pharmaceutical Sector.

Effect ROA on Stock Return

Based on the results of the panel data regression of ROA on stock returns can be concluded no significant effect. ROA in the pharmaceutical subsector in 2015-2017 has decreased every year, it can be concluded from the results in the use of asset management companies rated poorly by investors that caused the company's stock price down and may impact on stock returns are declining. These results are supported by research conducted by Dini and Nurhayati (2015)

Effect DER on Stock Return

Based on the results of the panel data regression DER variables on stock returns significant negative effect. DER effect is not significant due to the ratio of own capital to capital financed by debt. DER their negative influence on stock returns due to the high use of debt in the capital structure will lead to a high fixed payment and would pose a risk of bankruptcy, it makes investors will think twice to invest because of the high risk and return stock that will be accepted. These results are supported by research conducted by Puspitadewi & Henny (2016) and also Dwialesi & Darmayanti (2016) which states that the DER significant negative effect on stock returns.

Effect of PBV on Stock Return

Based on the results of the panel data regression variables on stock returns, PBV has significant negative effect. The higher PBV variable will cause stock returns are diminishing. PBV is high means that the market value of the shares is higher than the book value per share. High PBV ratio also shows the stock price is overvalued, where prices in the stock market is higher than the book value of equity on the balance sheet. It can affect investors unwilling to buy shares of a particular company because the price is too high. The decline in demand for stocks will affect the stock price declines, and thus can affect the low return on the stock price. These results are supported by research conducted by Dita and Isrochmani (2014).

CONCLUSION

The test result data by using E-views 9 obtained Effect Model Common models. Based on the analysis and discussion, it can be summed up as follows: Variable Return on Assets (ROA) has no effect and significant effect on stock returns in the pharmaceutical sub-sector company in Indonesia Stock Exchange 2015-2017. Variable Debt to Equity Ratio (DER) has no significant negative effect on stock returns in the pharmaceutical sub-sector company in Indonesia Stock Exchange 2015-2017. Variable Ratio Price to Book Value (PBV) significant negative effect on stock returns in the pharmaceutical sub-sector company in Indonesia Stock Exchange 2015-2017.

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