

FINANCIAL LEVERAGE AND LIQUIDITY ON GOOD CORPORATE GOVERNANCE AND STOCK RETURN

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Abstract

Investor needed the information about financial performance in order to predict the price and return of stock. This study aims to find out the effect of financial leverage and liquidity on Good Corporate Governance (GCG) and return of stock in the manufacture companies listed in Indonesia Stock Exchange during the period of 2013-2017. The method of descriptive and verifiative are used in this study by using 94 samples determined by purposive sampling technique. A secondary data is used and analyzed by using panel data regression model and moderated regression analysis. The result showed that simultanously, financial leverage and liquidity effected negatively and significantly to the return of stock. Partially, leverage effected negatively and significantly, as well as liquidity but insignificantly. The GCG is able to moderated a simultaneous effect of financial leverage and liquidity on return of stock to be positive, but insignificatn. However, GCG effected positively and significantly.

Keywords: *financial leverage; liquidity; stock of return; good corporate governance*

INTRODUCTION

Manufacture industry has an important role because it hires much labors. Ministry of Industry has been hiring as much as 17 million labors during 2017, increasing from the previous year as much as 15.54 million (Indonesia, 2017). The manufacture companies listed in Indonesian Stock Exchange has 19 sub-sectors of industry, as much as 144 until 2017 (Kayo, 2011). An economist from Institute for Development of Economics and Finance (INDEF), Bhima Yudhistira stated that the structural issues needed to resolved in order to improve the industry potencial are: (1) A more-dominated investment to the service sector; (2) Wrecked and broken machines, therefore Indonesia is getting left behind by other countries, such as Thailand and Vietnam; (3) Most human resources do not have a qualified high education (Yudhistira, 2011).

Indonesian Government has officially launched the roadmap of the fourth-revolution industry. One of Indonesian strategies to get into the Industry 4.0 is to prepare 5 manufacture sectors that will be the prototype to strengthen the fundamental of Indonesian industry structures, namely the Food and Beverages Industry, Automotive, Electronic, Chemistry and Textile (Nugroho et al., 2017). These steps are carried

out to support and improve the competitiveness of manufacture industry to get into the digital era. It is expected to support Gross Domestic Product (GDP) up to 2% per year while the manufacture industry is expected to contribute 21-26% on GDP in 2030 (DetikFinance, 2018).

The global economic slowdown as well as the various tight monetary policies of Bank Indonesia (BI) are suspected to be the cause of the decline in growth in the manufacture industry. Its two main problems, namely the increasing of interest rates up to 7,5% and the increasing of electricity cost which indirectly also increase the production cost (Kontan, 2014). It makes the manufacture industry not being able to fully grow since 2013. The sector of manufacture industry that gives highest contribution to the export is food industry about 26,7% in 2016. Apart from the important of export, the number of Indonesian population about 258,7 million makes it high potential for food industry to grow much better.

The investors need an information about financial performance to predict the stock price in the future in order to obtain the expected return. Return is a result obtained from capital gain or dividend in investing on stocks and get interest in investing on obligation. Return is the indicator for investors. It would be good for the

investors because they gain in the higher investment return from time to time (Jogiyanto, 2014). A high return of stock is what was expected by shareholders. Return of stock compares the present price of stock to the previous ones, divided to the price of stock in the previous period. The return of stock which is higher than 1 showed the recent price of stock is higher than in the previous one. It means that it contributes profits to the shareholders. (Kheradyar et al., 2011) stated that the stock market price moves randomly. The fundamental factor of a company and macro factor contributes to the changing of stock market price, which finally also effect to the changing of return of stock. The return of stock really depends sensitively on the condition of politic, economy crisis, disaster characteristic, fluctuation of oil prices, inflation, changing of policy, norms and government regulation (Narayan, 2016).

Financial management is meant to seek for fund and maintain it, as well as maintain the company's asset. Seeking for the fund is the first step that a financial manager need to do, especially to seek for company's capital source in order to perform its activity, including both internal and external capital source. External source of funds is obtained from bank loans or sale of stocks and obligation. A go-public company would attract its prospective investor by handing out the financial statistics. The prospective investors themselves would also see the profitability ratio and others, such as financial leverage and liquidity.

Financial leverage discloses the company's ability in fulfilling its debt with the equity it has. A company with a good ratio of financial leverage would be more trusted, therefore the investment would also be safer because it is indicated to fulfill its debt properly. Its measuring tool is Debt to Equity Ratio (DER). The research of (Safitri et al., 2015), (Sutriani, 2014), (Mutiarra, 2013), (Wijaya & Djajadikerta, 2018), (Abdullah et al., 2018), as well as (Ozturk & Altioik Yilmaz, 2015) showed that financial leverage has effected positively and significantly to the return of stock. Otherwise (Acheampong et al., 2014) stated that financial leverage could effect significantly both in negative and positive direction. The research result of (Endri, 2018), (Shabib-ul-hasan et al., 2015) showed that DER does not have significant effect to the return of stock. These difference of direction could occur when the company already has too much debt to pay. Therefore, the increasing of financial leverage ratio would also increase the possibility of paying failure, estimated cost and risk of bankruptcy. If the risk increases, the investor would demand higher return (Cai & Zhang, 2011), (Yang, Chau-Chen; Lee, Cheng-few; Gu, Yan-Xiang; Lee, 2010).

A company's operation needs the funds to be used for daily necessities. The liquidity ratio becomes a consideration for creditors because it shows the company's ability to pay a short-term invoice/bill. Its

measuring tool is Current Ratio (CR). The creditors would be much sure by viewing a high liquidity ratio because it signs that the company could fulfill its short-term responsibility. For shareholders, a high liquidity can be indicated that there is an inproductive current asset, namely an excessive cash, bad debts, or large amount of unsold supplies, expiry date, as well as other bad possibilities (Firdausya, 2016).

(Saleem & Rehman, 2011) stated that liquidity management is important for a company in order to keep its ability to pay for its responsibility on time. Research of (Ulupui, 2007), (Safitri et al., 2015), (Dika Parwati & Merta Sudiarta, 2016), (Wijaya & Djajadikerta, 2018), (Uremadu, 2012), (Shammakhi, Hamid Reza and Mehrabi, 2016), and (Wati, 2014) showed that partially, liquidity effects positively and significantly to the return of stock. Otherwise, (Ahmad et al., 2013) showed that liquidity effects negatively. However, research of (Endri, 2018) showed that CR does not effect significantly. The result may vary, because either a too-low or too-high characteristic of liquidity has risk on the deceasing profitability, thus affecting investors' perceptions of company management and performance. (Mutiarra, 2013), (Safitri et al., 2015), as well as (Wijaya & Djajadikerta, 2018) showed that simultaneously, leverage and liquidity effects positively and significantly to the return of stock.

A company management is a structural system of institutional policy, implementation procedure and business control which form a frame of company's operational performance. The key to welfare creation and maintenance in society requires a comprehensive accountability system that is built into the corporate governance structure (Patrick, 2012). An implementation of Good Corporate Governance (GCG) can be used to reduce information gaps within the company. GCG helps to ensure that management uses resources appropriately in accordance with the best expectations of the owner and submits financial reports and company's operating performance correctly (Lin, 2010).

A company management is a structural system of institutional policy, implementation procedure and business control which form a structure of company's maintenance. Weak implementation of GCG can provide opportunities for certain parties to maximize their own interests which will harm the company. While a good implementation is needed as a guideline for companies to create a market that is transparent, efficient, and consistent with applicable regulations (Wijesundera et al., 2016). A research conducted by (Ridwan & Gunardi, 2013) stated that GCG was as moderating variable proxied by institutional ownership. Managerial ownership is a moderating variable for the effect of the relationship between earnings management, while independent commissioners and audit committee are not moderating variables.

The purposes of this study are: (1) to find out the condition of financial leverage, liquidity, GCG and return of stock in the manufacture company listed in Indonesian Stock Exchange in the period of 2013-2017); (2) to find out the effect of financial leverage and liquidity to the return of stock; (3) to find out the effect of financial leverage and liquidity to the return of stock while GCG as moderating variable.

METHOD

The method used in this study is descriptive and verifiative with quantitative approach to test the effect of financial leverage and liquidity to the return of stock while GCG as moderating variable in the manufacture companies listed in Indonesian Stock Exchange in the period of 2013-2017. Its variable operationalization is shown in Table 1.

Population are as much as 144 companies, consisted of 19 manufacture sub-sectors. The samples are as much as 94 companie, by using purposive sampling method with these consideration: (a) Manufacture companies listed in Indonesian Stock Exchange in the period of 2013-2017, (b) Owning completed data both from annual reports, stock price lists and other data needed to support each research variable, (c) Issuing a company's performance summary and owning a complete data.

A descriptive analysis is used to describe the condition of each variable of a comlany by using the average value and deviation standard. Hypothesis testing or associative analysis uses interaction regression or Moderated Regression Analysis (MRA), because it is able to explain the effect of each variable and the implementation of GCG which moderates the relationship between leverage and liquidity on stock returns.

RESULT

Data on the condition of financial leverage in the manufacture company listed in Indonesian Stock Exchange in the period of 2013-2017 are shown in Table 2 and development of financial leverage measured by DER can be seen in Figure 1. It describes that DER fluctuates with a downward trend. A high current ratio indicates that the company has its cash, accounts receivable and excessive supplies compared to its short-term debts, which, in this case, are the assets that are not managed efficiently (Brigham & Houston, 2019).

Current ratio is shown in Table 3 and the development of liquidity can be seen in Figure 2. It explained that the condition of current ratio of manufacture companies listed in Indonesian Stock Exchange in the period of 2013-2017 fluctuates and tends to fall in the last two years, but it was in good condition. This study uses a calculation on the total return, which is to compare the present stock price to the price in the previous period.

Based on Table 4, the improvement of stock return measured by capital gain/ loss in the manufacture companies listed in Indonesian Stock Exchange in the periode of 2013-2017 can be seen in Figure 3. It described that the condition of stock return fluctuates and tends to go up. A good stock return has positive value: its price goes up compared to the previous year and the investor also obtaines their capital gain, as well as attract other investors. There are three measures of GCG: (1) independent commissioner, (2) Institutional Ownership, and (3) Managerial Ownership.

Based on Table 5, it shows stable improvement of GCG. It means that it is very rare (1) for a company to change the number of directors and commissioners, (2) for a company to change the ownership of shares owned by the management. For investor, if the implementation of GCG is high, for it is above 0.50, it can be assumed that the company has been running and implementing the GCG optimally.

The result recapitulation of descriptive statitics calculation on 94 samples in the manufacture companies listed in Indonesian Stock Exchange in the period of 2013/2017 can be seen in Table 6. The result of Best Linear Unbiased Estimation showed that the data distributes normally, both multicollinearity and heteroscedasticity do not occur, as well as there is no auto correlation between independent variables. The estimation model used is Fixed Effect Model (FEM) is adjusted to the purpose of this study. The author has previously carried out a trial and error in selecting the panel data model. It showed that FEM was the best model with R2 is more than 50% and statistic value of independendent variable was significant, which is accordingly in line to the theory and purpose as well as the proposed hypothesis. The equation of panel data regression is:

$$Y_{RS} = 3.975998 - 0.012733DER - 0.000997CR + \text{eit} \dots\dots\dots(1)$$

Based on Table 7, it is found out that financial leverage (DER) and liquidity (CR) simultaneously effect negatively and significantly to the stock return in the manufacture companies listed in Indonesian Stock Exchange in the period of 2013-2017, with 51.55% as its contribution. Regression coefficient of financial leverage partially showed negative and significant direction, as well as regression coefficient of liquidity showed negative and insignificant direction.

This study uses moderating variable therefore its equation uses Moderated Regression Analysis (MRA) model. The test result of moderating effect by using the application of Eviews 10 is shown in Table 8. The equation of panel data moderation regression is:

$$Y_{RS} = 3.889010 + 0.047932X1_{DER} + 0.015158X2_{CR} + 0.000781GCG + 0.001447DER^{GCG} + 0.000392CR^{GCG} \dots\dots\dots(2)$$

The regression coefficient of GCG is significant, while the regression coefficient of interaction (moderation) between GCG and financial leverage is insignificant. It means that GCG is not as moderated variable effecting the financial leverage to stock return. The coefficient of interaction regression of GCG with liquidity is significant. It means that GCG is able to moderate the relation positively to the stock return in the manufacture companies listed in Indonesian Stock Exchange in the periode of 2013-2017. Based on Table 8, it is found out that the coefficient of determination of the moderation regression equation is 52.49%, increasing from 51.55% of the regression equation without moderating variables.

DISCUSSION

Based on Figure 1, it can be explained that the condition of financial leverage policy with the DER proxy the manufacture sector during the period of 2013-2017 fluctuated and tend to fall down. It is a good sign, which means that the company has already increased its operational risk. A good condition of DER is signed by the fact of equity which is able to guarantee its total debts. A good ratio of DER is 100% which means that there is a balance between the debt and equity which are able to decrease the company's risk. In 2017, the sub-sector of Cosmetics had DER ratio as much as 103% which means that it was low because its debt was guaranteed by equity. Sub-sectors that had bad DER are metals and others, with a ratio of -1.668%. This showed that equity was negatively valued and considered poor, because there was deficit in equity that affected the ability to meet the company's debt.

Based on Figure 2, it can be explained that the liquidity condition with the current ratio (CR) proxy in manufacture companies listed in Indonesian Stock Exchange in the period of 2013-2017 fluctuated, increase, then decreased in the last two years. In 2014, this condition was not pretty good, because it was too high. It means that the condition had too much current assets so that it can reduce profitability. (Harc, 2012) stated that the more liquid a company is, the lower the current debt, because it can take advantage of excessive liquidity to fund its activities internally.

Based on Figure 3, it can be explained that the stock return condition with the capital gain/loss proxy in manufacture companies listed in Indonesian Stock Exchange in the period of 2013-2017 fluctuated and tend to be increased. This showed a good condition both for the company and investor. The company can provide an optimal performance for the investors by viewing the stock return which moves positively. Stock return with a capital gain could attract other prospective investors. In 2016, the sub-sector of wood and its processing obtained the highest capital gain, as much as 211%.

The opposite condition occurred to the sub-sector of textile and garment in 2013, obtaining capital loss as much as -60%.

The condition of GCG in the manufacture companies listed in Indonesian Stock Exchange in the period of 2013-2017 had the same average value, as much as 41%, measured by the indicator of independent commissioner, institutional ownership and managerial ownership. There are few things which makes the data unchangeable, which are: (a) It is very rare for companies to change both the number and the board of directors and commissioners, (b) There is few changes in ownership of stock owned by management, (c) There are no changes in the circulating stock.

Simultaneously, financial leverage and liquidity effected negatively and significantly to the stock return in the manufacture companies listed in Indonesian stock Exchange in the period of 2013-2017, as much as 51.55%. Partially, financial leverage effected negatively and significantly to the stock return. The descriptive analysis result showed the average of financial leverage with DER proxy was 152,45% (Table 6), which means that the capital itself could not guarantee its debt. If a company with a high DER owed some debts again, it would cause higher possibility of bankruptcy. Therefore, the investor would avoid a too-high-risk investment, which will also cause the stock's price decrease, as well as its stock return. This result supported the research of (Acheampong, 2014) which showed that leverage could effect significantly with both negative and positive direction. The liquidity with CR proxy also had negative and insignificant effect to the stock return. This was in line with the (Endri, 2018). It means that the change of CR would not cause the change of stock return.

After inserting GCG as moderating variable, the test result gave effect on financial leverage and liquidity to the stock return increase up to 52,49%, positively but not significant (Table 7); likewise, the partial influence of financial leverage, liquidity, and financial leverage with GCG. However, the effect of GCG and liquidity to the GCG itself was positive and significant. GCG is intended to ensure that the company operates in accordance with applicable regulations and ethics in obtaining the best results (Zutter, 2015). The implementation of GCG in manufacture companies listed on the Indonesian Stock Exchange for the period of 2013 - 2017 was able to change the direction of the influence of financial leverage and liquidity to be positive, although not significant. This showed that GCG can moderate the effect of financial leverage and liquidity on stock returns. The improvement of GCG implementation allows companies to increase liquidity as well as increase stock return, because it was in good condition, averagely on 207,41%. Financial leverage is not recommended to be increased because the amount of debt exceeds its equity.

CONCLUSION

Financial leverage and liquidity in the manufacture companies listed in Indonesian Stock Exchange for the period of 2013-2017 fluctuated and tend to fall down safely. Its stock return also fluctuated and tended to increase, which means that the investor had obtained their capital gain. The Good Corporate Governance was stagnant. Simultaneously, financial leverage and liquidity effected negatively and significantly to the stock return as much as 51,55%. Partially, leverage effected negatively and significantly, while liquidity effected negatively but insignificantly.

By inserting the moderating effect, the research result showed that Good Corporate Governance was able to moderate the effect of stock return to be positive but insignificant. The amount of influence increased to 52.49%. GCG partially had a positive and significant effect as well as liquidity accompanied by moderation of GCG. It means that GCG strengthened and changed the effect direction of financial leverage and liquidity on the stock return.

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Table 1. Variable Operationalization

Variable	Definition	Indicator	Scale
Financial Leverage (X1)	Financial leverage is an improvement of risk and return through the using of funds with fixed expenses, such as debt and preferred stocks (Gitman, Lawrence J. and Zutter, 2015)	$DER = \frac{\text{Total Debt}}{\text{Total Equity}} = 100\%$ (Gitman, Lawrence J. and Zutter, 2015)	Ratio
Liquidity (X2)	Liquidity is a ratio that measures the company's ability to fulfill their short-term responsibility when it reaches its due date (Gitman, Lawrence J. and Zutter, 2015)	$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$ (Gitman, Lawrence J. and Zutter, 2015)	Ratio
Stock Return (Y)	Return of stock is a level of profit that will be obtained by investors who invest their funds in the capital market and can be used as an indicator of trading in the capital market (Tandelilin, 2010)	$R_t = P_t - P_{(t-1)}$ (Tandelilin, 2010)	Ratio
Good Corporate Governance (Z)	Corporate Governance is defined as a regulation, process and guidelines to operate, control and manage the company. GCG is useful for all stakeholders with the assurance that the company operates properly according to regulations and ethics which is also in accordance with best practices and complies with company rules (Gitman, Lawrence J. and Zutter, 2015)	1. Independent commissioner = Total of commissioner 2. Institutional Ownership = Total of institutional stocks Total of circulating stocks 3. Managerial ownership = Total of management stock Total of circulating stocks (Ridwan & Gunardi, 2013)	Ratio

Table 2. Condition of Financial Leverage (DER) in the Manufacture Companies listed in Indonesian Stock Exchange in the period of 2013-2017

No	Sub Sector	Year				
		2013	2014	2015	2016	2017
1.	Cement	34%	40%	43%	61%	70%
2.	Ceramic, Porcelain	133%	129%	195%	127%	117%
3.	Metals and Others	225%	200%	155%	147%	168%
4.	Chemicals	83%	103%	248%	1861%	-73%
5.	Plastic and Packaging	307%	256%	160%	-1668%	-79%
6.	Animal Feed	136%	159%	160%	104%	113%
7.	Wood and Processing	386%	212%	122%	-75%	150%
8.	Pulp and Paper	111%	126%	154%	133%	147%
9.	Machine and Heavy Vehicles	90%	1539%	141%	130%	149%
10.	Automotive and Components	55%	86%	110%	154%	94%
11.	Textile and Garment	273%	89%	118%	185%	776%
12.	Footwear	-43%	-37%	-52%	-76%	-79%
13.	Cable	222%	169%	127%	108%	98%
14.	Electronics	53%	34%	29%	31%	33%
15.	Food and Beverages	104%	112%	107%	97%	82%
16.	Cigarette	293%	-148%	-94%	957%	49%
17.	Pharmacy	57%	-303%	205%	55%	66%
18.	Cosmetics	68%	68%	90%	91%	103%
19.	Household and Household Requirements	47%	50%	54%	59%	63%
	Average	139%	152%	109%	131%	108%
	Maximum	386%	1539%	248%	1861%	776%
	Minimum	-43%	-303%	-94%	-1668%	-79%

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

Table 3. Condition of Liquidity (CR) in the Manufacture Companies listed in Indonesian Stock Exchange in the period of 2013-2017

No	Sub Sector	Year				
		2013	2014	2015	2016	2017
1.	Cement	262%	226%	368%	228%	210%
2.	Ceramic, Porcelain	252%	283%	218%	163%	180%
3.	Metals and Others	389%	3093%	276%	226%	206%
4.	Chemicals	436%	409%	390%	388%	358%
5.	Plastic and Packaging	106%	180%	236%	249%	188%
6.	Animal Feed	200%	163%	158%	175%	186%
7.	Wood and Processing	63%	94%	99%	100%	103%
8.	Pulp and Paper	140%	169%	111%	119%	102%
9.	Machine and Heavy Vehicles	0%	74%	72%	56%	163%
10.	Automotive and Components	146%	148%	164%	198%	181%
11.	Textile and Garment	117%	125%	119%	122%	109%
12.	Footwear	111%	124%	170%	173%	188%
13.	Cable	196%	213%	199%	261%	189%
14.	Electronics	169%	261%	264%	258%	208%
15.	Food and Beverages	188%	205%	208%	241%	252%
16.	Cigarette	177%	161%	336%	324%	283%
17.	Pharmacy	275%	380%	4341%	341%	330%
18.	Cosmetics	234%	194%	258%	268%	241%
19.	Household and Household Requirements	193%	366%	308%	284%	279%
	Average	192%	361%	437%	220%	208%
	Maximum	436%	3093%	4341%	388%	358%
	Minimum	0%	74%	72%	56%	102%

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

Table 4. Condition of Stock Return in the Manufacture Companies listed in Indonesian Stock Exchange in the period of 2013-2017

No	Sub Sector	Year				
		2013	2014	2015	2016	2017
1.	Cement	-9%	9%	-30%	-20%	5%
2.	Ceramic, Porcelain	49%	19%	-9%	6%	-27%
3.	Metals and Others	-13%	93%	2%	40%	-16%
4.	Chemicals	1%	-7%	-16%	190%	6%
5.	Plastic and Packaging	-2%	34%	-2%	18%	0%
6.	Animal Feed	-14%	-9%	-31%	28%	-5%
7.	Wood and Processing	-29%	25%	-30%	211%	-14%
8.	Pulp and Paper	4%	-9%	-28%	54%	47%
9.	Machine and Heavy Vehicles	-15%	16%	-36%	12%	2%
10.	Automotive and Components	-15%	16%	2%	24%	13%
11.	Textile and Garment	-60%	16%	-40%	-28%	-46%
12.	Footwear	-3%	-2%	-9%	75%	7%
13.	Cable	35%	16%	-14%	9%	1%
14.	Electronics	-18%	4%	-9%	-22%	212%
15.	Food and Beverages	35%	16%	-14%	9%	1%
16.	Cigarette	-9%	10%	-1%	-21%	0%
17.	Pharmacy	-1%	26%	-30%	46%	6%
18.	Cosmetics	2%	-4%	-18%	-1%	11%
19.	Household and Household Requirements	-8%	-10%	-21%	-16%	33%
	Average	-4%	14%	-18%	32%	12%
	Maximum	49%	93%	2%	211%	212%
	Minimum	-60%	-10%	-40%	-28%	-46%

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

Table 5. Condition of Good Corporate Governance (GCG) in the Manufacture Companies listed in Indonesian Stock Exchange in the period of 2013-2017

No	Sub Sector	Year				
		2013	2014	2015	2016	2017
1.	Cement	48%	48%	48%	48%	48%
2.	Ceramic, Porcelain	38%	38%	38%	38%	38%
3.	Metals and Others	34%	34%	34%	34%	34%
4.	Chemicals	35%	35%	35%	35%	35%
5.	Plastic and Packaging	44%	44%	44%	44%	44%
6.	Animal Feed	42%	42%	42%	42%	42%
7.	Wood and Processing	39%	39%	39%	39%	39%
8.	Pulp and Paper	42%	42%	42%	42%	42%
9.	Machine and Heavy Vehicles	55%	55%	55%	55%	55%
10.	Automotive and Components	42%	42%	42%	42%	42%
11.	Textile and Garment	39%	39%	39%	39%	39%
12.	Footwear	51%	51%	51%	51%	51%
13.	Cable	45%	45%	45%	45%	45%
14.	Electronics	35%	35%	35%	35%	35%
15.	Food and Beverages	39%	39%	39%	39%	39%
16.	Cigarette	41%	41%	41%	41%	41%
17.	Pharmacy	33%	33%	33%	33%	33%
18.	Cosmetics	38%	38%	38%	38%	38%
19.	Household and Household Requirements	42%	42%	42%	42%	42%
	Average	41%	41%	41%	41%	41%
	Maximum	55%	55%	55%	55%	55%
	Minimum	33%	33%	33%	33%	33%

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

Table 6. Descriptive Statistic

	DER	CR	RS	GCG
Mean	152,4532	207,4128	11,47234	41,65532
Median	92,00000	139,0000	0,000000	41,00000
Maximum	858,0000	115,0000	1296,000	67,00000
Minimum	-1019,000	0,000000	-106,0000	13,00000
Std. Dev.	149,6258	200,4105	10,07974	9,625189
kewness	13,04959	3,189521	8,186392	-0,367616
Kurtosis	230,1972	16,40460	108,4345	3,873243
Jarque-Bera	10242,03	4315.686	222946.5	25.51944
Probability	0,000000	0,000000	0,000000	0,000003
Sum	71653,00	97484,00	5392,000	18638,00
Sum Sq. Dev.	1,02E+08	18837086	355637,1	43450,16
Observations	470	470	470	470

Source: Data processed by Eviews 10.

Table 7. Fixed Effect Model Estimation

Dependent Variable: Y_RS
Method: Panel Least Squares
Date: 02/08/19 Time: 19:01
Sample: 2013 2017
Periods included: 5
Cross-sections included: 48
Total panel (balanced) observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.975998	1.331661	2.985743	0.0041
X1_DER	-0.012733	0.009072	-1.403519	0.0165
X2_CR	-0.000997	0.006686	-0.149085	0.0882

Effects Specification
Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.515596	Mean dependent var	2.952440
Adj. R-squared	0.072952	S.D. dependent var	1.195434
S.E. of regression	1.151004	Akaike info criterion	3.425376
Sum sq. resid	76.83895	Schwarz criterion	4.736080
Log likelihood	-137.8210	Hannan-Quinn criter.	3.957170
F-statistic	1.164809	Durbin-Watson stat	3.890233
Prob(F-statistic)	0.028449		

Source: Data processed by Eviews 10.

Table 8. Moderated Effect Estimation

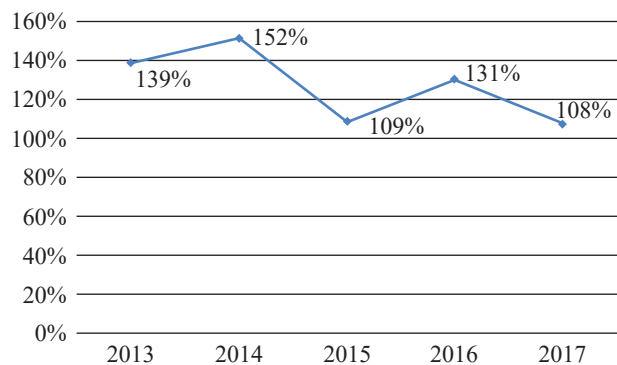
Dependent Variable: Y_RS
Method: Panel Least Squares
Date: 02/08/19 Time: 18:52
Sample: 2013 2017
Periods included: 5
Cross-sections included: 48
Total panel (balanced) observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.889010	1.391384	2.795065	0.0071
DER	0.047932	0.058687	0.816735	0.4175
CR	0.015158	0.074655	0.203040	0.8398
GCG	0.000781	0.014146	0.055179	0.0387
DER*GCG	0.001447	0.001381	-1.047920	0.2990
CR*GCG	0.000392	0.001772	-0.221484	0.0255

Effects Specification
Cross-section fixed (dummy variables)
Period fixed (dummy variables)

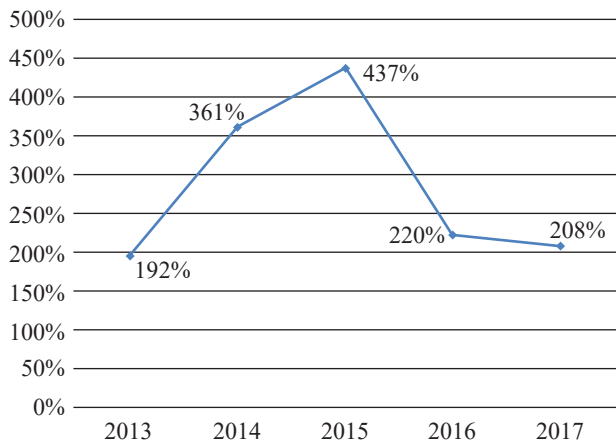
R-squared	0.524961	Mean dependent var	2.952440
Adj. R-squared	0.058404	S.D. dependent var	1.195434
S.E. of regression	1.159999	Akaike info criterion	3.441569
Sum sq. resid	75.35352	Schwarz criterion	4.800818
Log likelihood	-136.7279	Hannan-Quinn criter.	3.993060
F-statistic	1.125181	Durbin-Watson stat	3.888834
Prob(F-statistic)	0.330657		

Source: Data processed by Eviews 10.



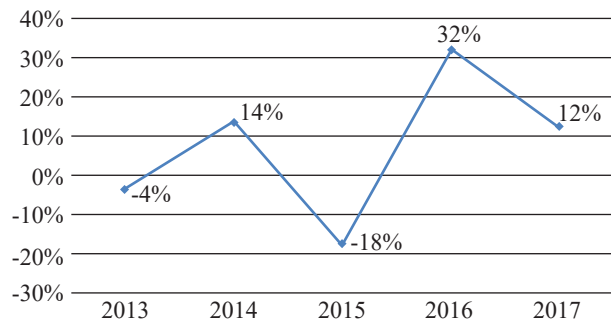
Source: www.idx.co.id (data processed)

Figure 1. Condition of Financial Leverage (DER) in the Manufacture Company listed in Indonesian Stock Exchange in the period of 2013-2017



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

Figure 2. Condition of Current Rasio (CR) in the Manufacture Company listed in Indonesian Stock Exchange in the period of 2013-2017



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

Figure 3. Condition of Stock Return in the Manufacture Company listed in Indonesian Stock Exchange in the period of 2013-2017