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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijava³ Repository Universitas Brawijaya Repository Universitas Bravia Shares of BUMI in short term should be suspended Repository of the suspended Repository of the suspended Repository of the suspended Repository of the suspended suspendes suspended suspe Reposituntil it drops to the bottom. He recommended that the investors turn to investing Repository Universitas Brawijava Repository Universitas Brawijava stocks of the consumer and the infrastructure sector, which were tended rising Repo Reposit lately. Unlike BUMI which is affected by international commodity, consumer and Repository Universitas Brawijaya Repository Universitas Brawijaya Reposit infrastructure sectors tend to be defensive on the global economy Reposit (http://www.tempo.co/read/news/2012).epository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Uni Based on the previous statement, Julio Parningotan recommended the Reposit investors to turn to stock of consumers because this sector tends to be defensive Repository Universitas Brawijaya Repository Universitas Brawijaya Reposition the global economy, and shares of this type have a low risk. Moreover, the Reposit investment is not impaired by a decrease in the overall market value of the Repository Reposit investment. Therefore, the companies can get maximum return from producing Repositor this sector. If the companies do not have a sufficient fund for their productions, Reposit the companies can use debt to produce goods in order to increase profit instead ory Universitas Brawiaya Repository Universitas Brawiaya of using only a limited number of their own capital. The company increases profit Repository Universitas Brawijaya Re Reposit in order to keep the firm's value, one of them increases Return On Equity (ROE) Repository Universitas Brawijava Repository Universitas Brawijaya Repositand Earning Per Share (EPS). It will give a benefit for shareholders from its return. Reposit If the assets of a company are well managed and get a maximum value, the Repository Universitas Brawijaya Repository Universitas Brawijaya Reposit profits can be gained to the maximum. This suggests that using of financial leverage for the company is very important because it assures the company to Repository Repository Universitas Brawijava Universitas Brawilava Reposit continue its operations: awijava Repository Universitas Brawijaya Repository Universitas Brawijava A manager has to figure Repository Universitas Brawijava out the firm value, which can be determined Reposit by measuring its EPS and ROE. The most common measurements of the Repository Universitas Brawijaya Repository Universitas Brawijaya company performance are earnings per share (EPS) and the result of return on Repo Repositequity (ROE) (Weston and Copeland, 2010 p. 195). The company's debt can be Repository Universitas Brawijaya Repository Universitas Brawijaya Reposit seen by using debt to total assets (DR). Using of debt to total assets (DR) as an Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya⁴ Repository Universitas Brawijaya Repository universitable is to search the acquisition of the ratio of total debt divided Reposition of the ratio of total debt divided Reposition by total assets. Effect of changes in earnings before interest and taxes (EBIT) to Repository Universitas Brawijava Repository Universitas Brawijava earnings per share (EPS) can described using the Degree of financial be Repo Reposit leverage (DFL). In this case the DFL to give effect to EPS and ROE. DFL used Repository Universitas Brawijava Repository Universitas Brawijava Reposit as independent variables in this study aims to look at the level of EPS and ROE Reposit to be obtained by the company at the company's EBIT generated. Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Uni Return On Equity (ROE) is a measure of how the stockholders fared Repository on versitas Brawijaya Repository Onversitas Brawijaya Reposit source of funding, ROE is an exact measurement because this ratio is the result Reposit of the return on shareholders' equity to measure the return earned on the book epository Universitas Brawijaya Repositivatue. In a business, a leverage is obtained not only on the fund for production Repository Universitas Brawijava Repository Universitas Brawijava the profits accruing to the company. Using Reposit leverage in the capital structure will not have impact on the sales, operating Repository Universitas Brawijaya, Repository Universitas Brawijaya Repository profits, but it will increase the share of the equity shareholders or Return on Repository Universitas Brawijaya Reposit**equity (Roe)**sitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijava Repository Universitas Brawijava Repository Uni Earnings per share, i.e the amount of income earned on a share of Reposit common stock during an accounting period applies only to common stock and to Repository Universitas Brawijaya Repository Universitas Brawijaya Reposit corporate income statements (Gibson, 2009 p. 338). According to Fabozzi and Reposit Peterson (2003 p.780-782), Repository Universitas Brawijaya Repository Universitas Brawijava Repository Universitas Brawijava Repository Univ Basic earnings/per/share is earnings (minus preferred dividends), Repository Univided by the average number of shares outstanding, which is the previous standard's simple earnings per share. Diluted earnings per Repository Unishare is earnings (minus preferred dividends), divided by the number Repository Unitofrishares routstanding considering vall rollutive tescurities (e.g., Repository Uni convertible debt, options), which is the previous standard's fully diluted Repository University per share. Companies that report earnings per share for any prior period must restate these amounts in terms of the new basic and Repository University and a calculations. The objective of the new reporting standard is to Repository University U.S. accounting in line with international accounting for earnings Repository Univershare" Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya analysis, the researcher wants to know the Repository Repository Reposit effect of financial leverage on firm value and market risk. S Financial leverage Repository Repository Universitas Brawijava Repository Universitas Brawijava Repository Reposition variables used in this study consist of debt to total assets (DR) and degree of Repository Reposition financial leverage (DFL). Variables of firm value in this research consist of Repository Repository Universitas Brawijava Repository Universitas Brawijava Repository Reposite arnings per share (EPS) and return on equity (ROE). The intervening variable Repository Reposit in this research is market risk (β). According to Horcher (2005 p. 3), Brawijaya Repository Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository UnivEinancial risk management is a process to deal with the uncertainties Repository resulting from unpredictable financial markets. It involves assessing Repository Unit the financial risks an organization faces and developing management Repository Repository Universities, Bthat is consistent with internal vpriorities and vpolicies. Repository Repository Uni Managing financial risk necessitates making organizational decision Repository Repository Uni about risks that are acceptable versus those are not. The passive Repository strategy of taking no action is the acceptance of all risks by default. Repository Univorganizations manage financial risk using a variety of strategies and Repository Repository Repository Univproducts It is important to punderstand how these products and Repository Univstrategies work to reduce risk within the context of the organization's Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Reposit Therefore, financial leverage can generate a financial risk born by the company Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repositas a result of the debt. So, if a manager cannot manage the debt, the debt can Repository Repository Reposit generate bankruptcy or liquidation for the company. According to Ehrhardt and Repository Repository Universitas Brawijava Repository Universitas Brawijava Repository Reposit Brigham (2011), the market risk is a risk that remains after diversifying. The Repository Reposit Repository diversifiable risk is portion of a stock's risk that can be eliminated, while the Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Reposit section that cannot be eliminated is called market risk. The rational investors will Repository Reposit Repository eliminate the risk, but it will be irrelevant. Diversifiable risk is caused by random Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Reposit events such as strikes, lawsuits, winning or losing a major contract, successful Repository Repository unsuccessful marketing, and other events that are unique in the company. Repository Repository Repository Reposit Random events can affect a portfolio, it can be eliminated by diversification. If the Repository Universitas Brawijaya Repository Universitas Brawijaya Repository company has a bad event, it will be balanced by other good events. A market risk Reposit Repository Reposit comes from factors that systematically affect most companies such as inflation, Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijava Repository Universitas Brawijaya Repository

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Repository Universitas Brawijaya Repository Universitas Brawijava⁶ Repository Universitas Brawijaya Repository war, high interest rates and recessions. A market risk cannot be eliminated by Reposit diversification because most stocks are negatively affected by these factors a ya Repository Universitas Brawijava Repository Universitas Brawijava Repository Universitas cher took the object of research in the consumer goods Reposit industries companies on the Indonesian Stock Exchange. The researcher Repository Universitas Brawijava Repository Universitas Brawijaya Repositchooses the consumers' goods industries because the companies produce Reposit products that are often consumed by consumers. This causes the market share Repository Universitas Brawijaya Repository Universitas Brawijaya Reposit of products of consumer goods industries not only to a specific community like Reposit other industrial products, but also to the middle-market segment up or down the Repository Universitas Brawijaya Repository Universitas Brawijaya Reposit middle. So, the industries have good prospect and can maintain the firm's value Reposit Repositor order to stay well. Consum goods industries have a strong sector for Consumer Reposit consumer products primarily needed by people. The level of demand is quite Repository Universitas Brawilava Repository Universitas Brawijay stable against a wide range of consumer products with global situation showing Reposit defensive nature of the consumers' sector, especially for consumer goods in the Repository Universitas Brawijaya Repository Universitas Brawijaya territory of Indonesia where the target market of consumer goods is human. Repos Repository Universitionsumer goods industries consist of food and beverages Repository Universitas Brawijava Repository Universitas Brawijava Reposit company, tobacco manufacturers company, pharmaceuticals company, Reposit cosmetics and household company, and house wares company. This research is Repository Universitas Brawijaya Repository Universitas Brawijaya Reposit important for consumer goods industries even though the consumer product has Reposit all of market share ranging from the down-market segment until the up market Repository Universitas Brawijaya Repository Universitas Brawijaya Reposit segment. If the researcher, sees from market risk affected by factors systematically affecting most firms which are war, inflation, recessions, and high Repository Uni Rep Reposit interest rates. It means that the consumers' goods industries have problems with Repository Universitas Brawijaya Repository Universitas Brawijava the factors, but the consumers' goods industries tend to be defensive. So, these Reposit Reposit industries have a low risk. Then the consumers' goods industries can loan fund Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya2 Repository Universitas Brawijaya Epository Universitas Brawijava Financial Ceverage and Financia epository Universitas Brawijava Repository Universitas Bra 2.1.2 Correlation Financial between Repository Universitas Brawijaya Repository Universiformance/ijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijava Repository Universitas According to Akhtar, et al (2012), the result of previous research Repository is aimed to examine the hypothesis and to measure a relationship between Repository Universitas Brawijava Repository Universitas Brawijaya Repository the financial leverage and the financial performance of the fuel and energy Repository sector in Pakistan. The paper also examines the generalization of the firms Repository Universitas Brawijaya Repository Universitas Brawijaya Repository with higher profitability by using various statistical tools. The findings of the Repository study show a positive relation between the financial leverage and the Repository Universitas Brawijaya Repository financial sperformance of the Rcompanies by acceptings the alternate hypothesis H1 and rejecting Ho. The results Repository The results of the study confirm that the Repository Universitas Brawijaya Repository companies with higher profitability may improve their financial performance by obtaining high levels of financial leverage. The study provides evidence Repository Universitas Repository Repository by evaluating different facts. It reveals that the players of the fuel and Repository Universitas Brawijaya Repository Universitas Brawijava energy in Pakistan can improve their financial performance by employing the Repository Repository financial leverage and making vital decisions about the choice of their Repository Universitas Brawijava Repository Universitas Brawijava optimal capital structure. Variables in this research are Return On Assets Repository Repository (ROA), Return On Equity (ROE), dividend cover ratio, dividend ratio to equity, Repository Universitas Brawijaya Repository Universitas Brawijaya Repository net profit margin, earning per share before tax, earning per share after tax, Repository sales as % of total assets, earning per share before tax growth, sales growth, Repository niversitas Brawijaya Repository Universitas Brawijaya Repository DFL, and debt equity ratio. The result of research by Akhtar, et al (2012) is Repository supported by journal of Yoon and Jang (2005), titled "The Effect of Financial Repository Leverage on Profitability and Risk" The result of research by journal of Yoon Repository Universitas Brawijava Repository Universitas Brawijava and Jang (2005) suggested that at least during the test period, the size of Repository Repository the company had a more dominant effect on Return On Equity rather than on Repository Universitas Brawijaya Repository Universitas Brawijaya Repository the debt used by the company, the larger the earning of the company is the Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya4 Repository Universitas Brawijaya • The total valuation of a firm may increase through different Repository Universitas Brawijaya Repository Universit combination of the three variables, wiz sfinancial leverage, Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitashareholder return and market capitalization s Brawijaya Repository Universit Financial leverage is more effective for any organization where Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universit internal rate of return is higher than its cost of capital awijava Repository This research uses empirical research with Quantitative approach. Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Hypotheses in this research are there is no significant impact of financial leverage on shareholders' return and there is no significant impact of Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository financial leverage on market capitalization. Variable in this research are ory Ur Repository shareholders' return, market capitalization, and DFL. The result of research Repository Repository by Saini (2012) is supported by Akhtar, et al (2012), in his titled "Correlation Repository Universitas Brawijava Repository Universitas Brawijava between Financial Leverage and Financial Performance", shows a positive Repository Repository relation between them. The results of the study confirm that the firms Repository Universitas Brawijaya Repository Universitas Brawijaya Repository having higher profitability may improve their performance financially by having high levels of financial leverage sitory Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository 2.1.4 Financial Leverage, Firm's Growth and Financial Strengthwijava Repository University According to Zhao and Wijewardana (2012), this study is aimed to Repository Universitas Brawijaya Repository Universitas Brawijaya Repository extend knowledge of financial leverage, firm's growth and financial strength listed in the Sri Lanka companies. Most of the scholars Repository Repository Repository financial leverage and its related attributes in developing and emerging Repository Universitas Brawiaya, Repository Universitas Brawiaya capital markets. The pioneering work of Modigliani and Millar, and many Repository Repository scholars revealed that the financial leverage is one of the most influencing Repository Universitas Brawijava Repository Universitas Brawijaya factors in determining the firm's growth. The common approach in empirical Repository Repository capital structure studies has been to examine the relationship between Repository Universitas Brawijaya Repository Universitas Brawijaya Repository observed financial leverage and value of the firm and share prices. In this Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya6 Repository Universitas Brawijaya there is a positive rather than a Repository Universitas Brawijaya negative relation between financial leverage Repository and other growth variables as implied by the negative signals about the Repository Universitas Brawiiava Repository Universitas Brawijaya future growth of the company. Repository Universitas Brawijaya Repository Repository 2.1.5 The Effect of Financial Leverage on Profitability and Risk WIJaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universition and Jang (2005) presents an empirical insight into the Repository relationship between return on equity (ROE), financial leverage and firm size Repository Universitas Brawijaya Repository Universitas Brawijaya Repository in the restaurant industry during 1998 till 2003 using OLS regressions. Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universet Restaurant firms using a lower level of financial leverage have Repository Universitas Repository Universitas Brawijaya higher profitability. Repository Universitas Repository Universitas Brawijaya Repository Universit Restaurant firms with a higher level of financial leverage are Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universit riskier than those with a lower level of financial leverage. Repository Universe Market-based measures and accounting-based measures are Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitapositively correlated to each other Universitas Brawijaya Variables in this research are Financial leverage, Return On Equity, and Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Market risk. Research results suggest that at least during the test period Repository firm size has a more dominant effect on ROE for restaurant firms than debt Repository Universitas Brawijaya kepository Universitas Brawijaya Repository use, larger firms earning significantly higher equity returns. Results also Repository Universitas Brawijay Repository Suggest that regardless having lower financial leverage, sm of Repository Repository restaurant firms were significantly more risky than larger firms. As such, the Repository Universitas Brawijaya Repository Universitas Brawijaya dominance of size effect in the ROE-financial leverage relationship within Repository Repository the restaurant industry is better understood. The result of research by Yoon Repository Universitas Brawijaya Repository Universitas Brawijaya and Jang (2005) is supported by Akhtar, et al (2012), in his research titled Repository Repository "Relationship between Financial Leverage and Financial Performance". The Repository Universitas Brawijaya Repository Universitas Brawijaya Repository result of research shows a positive relation between financial leverage and Repository Universitas Brawijaya Repository

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya8 Repository Universitas Brawijaya Repository Universitas Brawijava ial Leverage on Shareholders Return and Repository Universitas Brawijava 2.1.7 The Influence of Financ Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Univ Market Capitalization Repository Universitas Brawijay Repository Univers<u>it</u>as Brawijaya Repository Universities present research by Pachori and Totala in 2012 explored the Repository effect of financial leverage on shareholders' return and market capitalization Repository Universitas Brawijaya Repository Universitas Brawijaya Repository of automotive cluster companies of Pithampur (M.P.) India. Pachori and Repository Totala undertook seven major automotive public companies to represent the Repository Universitas Brawijaya Repository Universitas Brawijaya Repository cluster. The applied Simple Linear Regression out to see the impact of Repository financial leverage on shareholders' return and market capitalization Repository Universitas Brawijaya Repository Universitas Brawijaya Repository individually. So, the influence of the leverage can be measured Brawijava Repository Universitias Brawleys Empirical research with Quantitative approach. Repository Universitas Brawijaya kepository Universitas Braw Repository Hypothesis in this research are there is no significant influence of financial Brawijava Repository Universitas Brawi Repository Universitas leverage on both shareholders' return and market capitalization. Variables in Repository Repository this research are shareholders' return, market capitalization and financial Repository Universitas Brawijaya Repository Universitas Brawijaya leverage. The overall findings indicate that there is no significant influence of Repository Repository financial leverage on shareholder's return and market capitalization. The Repository Universitas Brawijava Repository Universitas Brawijava Repository study also concludes that there might be other non-quantitative factors which Repository may lead to nullify the impact of financial leverage on shareholders return Repository Universitas Brawijaya Repository Universitas Brawijaya Repository like recession, saturation of auto industry, competition and government Repository policy. It is important to note that financial leverage is a speculative Repository Repository iniversitas Brawijaya Universitas Brawijava Repository technique and therevare special risks and costs involved with financial be no assurance that a financial leverage Repository Universitas Brawijaya Repository Universitas Brawijaya Repository strategy will be successful during any period in which it is employed. The Repository Universitas Brawijava Repository Universitas Brawijay result of research by Pachori and Totala (2012) is supported by Saini (2012), Repository Repository titled "The Impact of Financial Leverage on Shareholders Return and Market Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Capitalization". One of the result of research by Saini (2012) shows that the Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijay20 Repository Universitas Brawijaya positive influence of leverage to the firm value tends to be stronger when Repository Univ Repository Repository the firm financial quality is better (i.e., the greater Z-score). The result of Repository Universitas Brawijava Repository Universitas Brawijava the research by Cheng and Tzeng (2009) are supported by Akhtar, et al Repository Repository (2012), titled "The Relationship between Financial Leverage and Financial Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Performance". The result of research by Akhtar, et al (2012) shows that Repository there is a positive relationship between the financial leverage and financial Repository Universitas Brawijaya Repository Universitas Brawijaya Repository performance. The results of the study confirm that the firms having higher Repository profitability may improve their financial performance by having high levels of Repository Universitas Brawijaya Repository Universitas Brawijaya Repository *linancial leverage* awijaya Repository Universitas Brawijaya Repository 2.1.9 Profitability and Leverage Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository UniversThrough this research, Akinlo and Asaolu (2012) examines the Repository profit profile of firms in Nigeria and analyzes the impact of leverage on Repository Repository profitability during 1999 till 2007. The results show that aggregate profit level Repository Universitas Brawijaya Repository for the firms decreased by Repository Universitas Brawijaya 0.02 percent yearly over the study period. Repository However, when disaggregated into sectors, a few firms actually experienced Repository Universitas Brawijava Repository Universitas Brawijava Repository an increased profit level. This research uses Empirical research with Repository Quantitative approach. Variables in this research are Profitability, leverage Repository Universitas Brawijaya Repository Universitas Brawijaya Repository and the control variable size. R The results show that firm size has a Repository significant positive effect on profitability, while leverage has a negative effect Repository Universitas Brawijaya Repository Universitas Brawijaya Repository on it. The paper suggests that expansion, increase sales and low debt ratios enhance firm profitability. The result of research by Akinlo and Asaolu (2012) Repository Univers Repository Repository are supported by Akhtar, aet al (2012), entitled "The Relation between Repository Universitas Brawijava lepository Universitas Brawijava Financial Leverage and Financial Performance". The result of research by Repository Repository Akhtar, et al (2012) shows a positive relation between the financial leverage Repository Universitas Brawijaya Repository Universitas Brawijaya Repository and financial performance. The results of the study confirm that the firms Repository Universitas Brawijaya Repository

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya1 Repository Universitas Brawijaya Repository having higher profitability may improve their financial performance by having Repository high levels of financial leverage. Repository Universitas Brawijaya Repository Universitas Brawijava Repository Universitas Brawijaya Repository 2.1.10 Impact of Leverage on Risk and Stock Returns Brawijaya Repository Universin comparison to the research conducted by Bhatti, et al (2010) Repository Universitas Brawijaya Repository Universitas Brawijaya Repository which aimed to investigate the effect of leverage on stock returns and Repository systematic risk in the corporate sector of Pakistan. This study determines Repository Universitas Brawijaya Repository Universitas Brawijaya Repository the relation between leverage and systematic risk. The data was collected Repository from eight industries, they were cotton, engineering, chemicals, sugar and Repository Universitas Brawijaya Repository Universitas Brawijaya Repository allied, cement, fuel, energy, transport and communications. The researchers Repository found out that high level of leverage could create a high level of systematic Repository Universitas Brawijaya kepository Universitas Brawijaya Repository *hisk*, leading to high volatility in the stock prices. Universitas Brawijaya Repository Universitas Brawijava Repository Universitas Brawijava Repository Universitas Brawijava Repository the hypothesis used in this research are itory Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universit High leverage increases the risk y Universitas Brawijaya Repository Universitas Brawijava decreases the risky Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universit High leverage increases the stock return ersitas Brawijaya Repository Universitas Brawijava • High leverage decreases the stock return Repository Universitas Brawijava versitas Brawijava repository Universitas Brawijava Repository The result of this research is a high level of leverage creating a high level of high volatility in the stock prices of these Repository Universitas Brawijaya systematic risk, leading to Repository Repository industries traded on Karachi Stock Exchange (KSE). The underwriters in Repository Universitas Brawijaya Repository Universitas Brawijaya Pakistan significantly underpriced the new issues (IPO's) to minimize their Repository Repository own risks of the new issues. This underpricing cause's direct loss to the Repository Universitas Brawijaya Repository Universitas Brawijaya Repository issuing firm and their collection of funds is lower than the intrinsic value of Repository the issued stock. It may temporarily increase the stock price of the firm but in Repository Universitas Brawijaya Repository Universitas Brawijava Repository the long run it works negatively and increases the systematic risk of the firm Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository	leading to lowest stock prices. The result of research by Bhatti, et al (2010)
Repository	are supported by Alaghi (2011), with the title of financial leverage and
Repository	Universitas Brawijaya Repository Universitas Brawijaya
Repository	Universitas Brawijaya e Repository Universitas Brawijaya
Repository	has effect on the systematic risk of listed companies in Tehran Stock
Repository	Exchange itop Browijava Repository Universitas Browijava
Repository	Universitas Brawijaya – Repository Universitas Brawijaya
Repository	2.1.11 The Effect Of Financial Leverage On Corporate Performance
Repository	According to Ojo (2012) in his journal is attempts to juxtapose the
Repository	Universitas Brawijaya Repository Universitas Brawijaya
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Repository	technique of Vector Auto Regression (VAR) model was employed. The
Repository	findings revealed that Leverage shocks evert substantially on corrocate
Repository	Universitas Brawijaya Repository Universitas Brawijaya
Repository	performance in Nigeria. In addition, Earnings per Share (EPS) depends
Repository	more on feedback shock and less on leverage shock. Leverage shocks on
Repository	Universitas Brawijaya Repository Universitas Brawijaya
Repository	Earnings Per Share indirectly affect the Net Assets Per Share of firms as the
Repository	bulk of the shocks on the Net Assets Per Share was received from Earnings
Repository	blaiversitas brawijaya – Repository Oniversitas Brawijaya
Repository	Universitas Brawijava Repository Universitas Brawijava
Repository	performance in Nigeria java Repository Universitas Brawijava
Repository	2.1.12 Financia Leverage and Systematic Risk niversitas Brawijaya
Repository	Universitas Brawijaya Repository Universitas Brawijaya
Repository	UniversThe aim of this Alaghi's (2011) research is to examine the effect of
Repository	financial leverage in the systematic risk of listed companies in Tehran Stock
Repository	Universitas Brawijaya Repository Universitas Brawijaya
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Repository	approach. In this research, financial leverage (FL) as independent variables
Repository	and systematic risk (B) as the dependent variable is considered. While
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Repository	significant at \leq 0/05 H0 hypothesis, is rejected. Otherwise, there is no other
Repository	adequate reason for rejecting H0 hypothesis. For testing the hypothesis of
Repository	Universitas Brawijaya Repository Universitas Brawijaya
Repository	this study, linear regression technique has been used. According to the
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NUMBER The pository Universitas Brawijaya Repository Universitas Brawijaya <	14	Repository	results obtained	d, H0 is rejec	ted because sig	nificant = 0.00	< 0.05. Thus,	Repository
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	Researcher			Method		
1	Researcher James M. Gahlon and James A. Gentry	On The Relationship Between Systematic Risk and the Degrees of Operating and Financial Leverage	The result of this research are cash flow correlation coefficient is a positive constant. An increase in expected revenue reduces DOL, DFL, and CV (REV). while an increase in the contribution margin reduces the first two real-assest risk	Method Empirical research with Quantitative approach	DOL, DFL affect β _Π (systematic risk)	DOL, DFL, CV (REV), and βn
		Levelage	measure. However, systematic risk increases because both DOL and DFL rise, while in the later situation it increases because only DFL rises			

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No	The	The Title	Research Result	Research	Hypothesis	variable
	Researcher			Method		
2	Shehla Akhtar, et al	Relationship between Financial Leverage and Financial Performance: Evidence from Fuel & Energy Sector of Pakistan	The findings of the study show a positive relationship between the financial leverage and the financial performance of the companies. The results of the study confirm that the firms having higher profitability may improve their financial performance by having high levels of financial leverage	Empirical research with Quantitative approach	Financial leverage has got a positive relationship with financial performance of the companies operating in fuel and energy sector	Return On Assets (ROA), Return On Equity (ROE), dividend cover ratio, dividend ratio to equity, net profit margin, earning per share before tax, earning per share after tax, sales as % of total assets, earning per share before tax growth, sales growth, DFL, debt equity ratio.
3	Kajni Saini	Financial Leverage On Shareholders Return and	 On the basis of descriptive statistics, mean is higher of Gemini and Tata company in case of financial leverage, 	research with Quantitative approach	 There is no significant impact of financial leverage on 	return, market capitalization, and DFL

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	Researcher			Method		
		Market Capitalization: Empirical Evidence of Telecommunic a-tion Sector Companies, India	 market capitalization and shareholder return in the telecommunication industry Financial leverage shows significant impact on market capitalization as significant value is less than significant level i.e. 0.05 in the telecommunication industry. The total valuation of a firm may increase through different combination of the three variables, viz. financial leverage, shareholder return and market capitalization financial leverage is more effective for any organization where internal rate of return is higher than its cost of capital 		shareholders' return. • There is no significant impact of financial leverage on market capitalization	
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	Researcher			Method		
4	Bei Zhao and W.P Wijewardana	Financial Leverage, Firm Growth and Financial Strength: Evidence in Sri Lanka	The results of the study find financial leverage in the Sri Lankan context to be positively related to the growth and financial leverage. Conversely, this situation supports this view that there is a positive rather than a negative relationship between financial leverage and other growth variables as implied by the negative signals about the future growth of the company.	Empirical research with Quantitative approach	 Among the FL measurement TD/TA are significantly associated with growth and FS variables. Profit growth is positively associated with FL. Sales growth is negatively associated with FL. Financial strength is negatively associated with FL. Asset growth is positively associated with FL. 	Financial Leverage, Profit growth, Sales growth, Financial strength, and Asset growth
5	Eunju Yoon and	The Effect of	Research results suggest that	Empirical	 Restaurant firms 	Financial
	SooCheong	Financial	at least during the test period	research	using a lower	leverage,
	Jang	Leverage on	firm size had a more dominant	with	level of financial	Return On
		Profitability	effect on ROE of restaurant	Quantitative	leverage have	Equity, and

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		and Risk of Restaurant Firms	firms than debt use, larger firms earning significantly higher equity returns. Results also suggest that regardless of having lower financial leverage, smaller restaurant firms were significantly more risky than larger firms.	approach	 higher profitability. Restaurant firms with a higher level of financial leverage are riskier than those with a lower level of financial leverage. Market-based measures and accounting- based measures are positively correlated to each other 	Market risk
6	Amariit Gill and Neil <u>Mathur</u>	Factors that Influence Financial Leverage of Canadian Firms	The results show that financial leverage of Canadian firms is influenced by the collateralized assets, profitability, effective tax rate, firm size, growth opportunities, number of subsidiaries, and industry dummy.	Empirical research with Quantitative approach	There are influence financial leverage of Canadian firms on the collateralized assets, profitability, effective tax rate, firm size growth	Financial Leverage (MTL), Collateralized Assets (MCA), Profitability (ROA), Effective Tax

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					opportunities, number of subsidiaries, and industry dummy	Rate (METR). Non-Debt Tax Shield (MNDTS), Firm Size (LnS), Growth Opportunity (GTA), Subsidiaries (SUB), IndDum
7	CA Sachchidanand Pachori, and Navindra K. Totala	Influence of Financial Leverage on Shareholders Return and Market Capitalization: A Study of Automotive Cluster Companies of Pithampur, (M.P.), India	The findings indicate that there is not significant influence of financial leverage on shareholder's return and market capitalization. The study also concludes that there might be other <u>non quantitative</u> factors which may lead to nullify the impact of financial leverage on shareholders return like recession, saturation of auto industry, competition and government policy.	Empirical research with Quantitative approach	 There is no significant influence of financial leverage on shareholders' return. There is no significant influence of financial leverage on market capitalization 	shareholders' return, market capitalization and financial leverage

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	Researcher			Method		
8	Ming-Chang Cheng and Zuwei-Ching Tzeng	The Effect of Leverage on Firm Value and how the firm financial quality influence on this effect	The results show as follows: Firstly, the values of leveraged firm are greater than that of an unleveraged firm if we don't consider bankruptcy probability. Secondly, If we consider the benefit and cost of debt simultaneously, the leverage is significantly positively related to the firm value before reaching firm optimal capital structure. Thirdly, the positive influence of leverage to the firm value tends to be stronger when the firm financial quality is better (i e., the greater Z- score).	Empirical research with Quantitative approach	 The values of a leveraged firm are greater than that of the unleveraged firm. The positive influence of leverage to firm value tends to be stronger when bankruptcy probability is lower. Leverage positively influence firm value before reaching the firm's optimal capital structure. The positive influence of leverage to firm value tends to be stronger when bankrupt the firm's optimal capital structure. The positive influence of leverage to firm value tends to be stronger 	the value of a firm (VL), the total liabilities of a firm (DL), the expected earnings after taxes and before interest ((1)θL), Z- score Model

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	Researcher			Method		
					when firm financial quality is better	
9	Olayinka Akinlo and Taiwo Asaolu	Profitability and Leverage: Evidence from Nigerian Firms	The results show that aggregate profit level for the firms decreased by 0.02 percent yearly over the study period. However, when disaggregated into sectors, a few firms actually experienced an increased profit level. The results show that firm size has a significant positive effect on profitability, while leverage has negative effect. The paper suggests that expansion, increased sales and low debt ratios enhance firm profitability.	Empirical research with Quantitative approach	-	Profitability, leverage and the control variable size.
10	Afkar Majeed Bhatti, et al	Affect of Leverage on Risk and Stock Returns: Evidence from Pakistani Companies	The result of this research that is, a high level of leverage creating a high level of systematic risk, leading to high volatility in the stock prices of these industries traded on Karachi Stock Exchange (KSE). The underwriters in Pakistan significantly underpriced the new issues	Empirical research with Quantitative approach	 High leverage increases the risk. High leverage decreases the risk. High leverage increases the stock return. 	Leverage, risk and stock return.

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			(IPO's) to minimize their own risks of the new issues. This underpricing causes direct loss to the issuing firm and their collection of funds is lower than the intrinsic value of the issued stock. It may temporarily increase the stock price of the firm but in the long run it works negatively and increases the systematic risk of the firm leading to lowest stock prices.		 High leverage decreases the stock return. 	
11	Akinmulegun Sunday Ojo	The Effect of Financial Leverage on Corporate Performance of Some Selected Companies in Nigeria	The findings revealed that Leverage shocks exert substantially on corporate performance in Nigeria. In addition, Earnings Per Share (EPS) depends more on feedback shock and less on leverage shock. Leverage shocks on Earnings Per Share indirectly affect the Net Assets Per Share of firms as the bulk of the shocks on the Net Assets Per Share was received from Earnings Per Share of the firms. Leverage therefore	Empirical research with Quantitative approach	-	The leverage (LEV), measured by the debt- equity ratio and corporate performance indicators represented by earnings per share (EPS) and the net assets per share (NAPS)

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			significantly affect corporate Performance in Nigeria.			
12	Kheder Alaghi	Financial leverage and systematic risk	financial leverage has effect on the systematic risk of listed companies in Tehran Stock Exchange	Empirical research with Quantitative approach	 Financial leverage has no effect on the systematic risk of listed companies in Tehran stock exchange. Financial leverage has effect on the systematic risk of listed companies in Tehran stock exchange 	financial leverage (FL) and systematic risk (β)

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijay34 Repository Universitas Brawijaya Repository 2.4.1 vereverage rawijaya Repository Universitas Brawijava Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universi Companies use leverage to price its fixed assets in order to run Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Units operations and increase return or income for the company or its Repository Unshareholders. According to Anderson (1987 p. 38), sitas Brawijaya Repository Universitas Brawijava Repository Universitas Brawijaya Repository Univers"Leverage, the use of fixed charge obligations with the intent of Repository Universmagnifying the potential return to the firm. Financial leverage: a measure of the amount of debt used in the capital structure of the Repository Univers firm. Financial leverage is beneficial only if the firm can employ Repository Universities the borrowed funds to ear a higher rate of return than the interest Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository UnLeverage indicates the debt owned by the company. The fund is used by Repository Unthe company comes from external funding or external financial. External Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Unfunding comes from outside the company, which means the fund is not Repository Underived from the company's operations, but obtained from other parties Repository Universitas Brawijava Repository Universitas Brawijaya Repository Unoutside the company. Debt used by the company to meet its financial Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Un2/2:1:21 Leverage Ratio Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawing borrows money from the public or other Repository Unparties, the company has to repay the fund and interest that it has Repository Universitas Brawijaya Repository Universitas Brawijava Repository Unborrowed. If the company cannot pay its debt in a long term, the Repository Uncompany will suffer from bankruptcy. A debt of the company will likely Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Unrequire financial leverage. Leverage ratios measure how much financial Repository Universitas Brawijaya By the company. According to Brealey, et al Repository Universitas Brawijaya Repository Un (2001; pa138); awijaya Repository Universitas Brawijaya Repository Universitas Brawijava "The market value of the company finally determines whether Repository Universita the debt holders get their money back so you would expect Repository Universita analysts to look at the face amount of the debt as a proportion Repository Universitas Brawijaya Repository Universitas Brawijava Repository

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijay40 Repository Universitas Brawijaya greater than 1.0 (assets are greater than is Repository lequity) and the fourth term is less than 1.0 (part of the profits are absorbed Repository Universitas Brawiiava Repository Universitas Brawijaya by interest). Thus leverage can either increase or reduce return on equity. Repository Repository Leverage increases ROE when the firm's return on assets is higher than Repository Universitas Brawijaya Repository Universitas Brawijaya Repository the interest rate on debt." Repository Universitas Brawijaya Repository Universitas Brawijaya (EPS)pository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository UniversComputing, earnings per share initially involves met income, Repository preferred stock dividend declared and accumulated, and the weighted Repository Universitas Brawijaya Repository Universitas Brawijaya Repository laverage number of shares outstanding, as follows: versitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitians Brawijaya ReNet Income – Preferred Dividends Jaya Repository UniversiShareBrawijaya Weighted Average Number of Common Shares Repository Universitas Brawijava Repository Universitas Brawijava Repository **Outstanding**as Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universi According to Fabozzi, and Peterson (2003, p. 780), the number Repository Uni of common shares outstanding can change for two reasons: Brawijaya Repository (Iniversitas Brawijaya Repository Universitas Brawijaya Repository Univer(1) Timing Net income is earned over a specific period of time, yet Repository Universit the number of shares outstanding may change over this period. Timing requires us to consider the net income relative to some Repository Universit meaningful measure of common shares outstanding during the Repository Universitsame period.)We can do this by first calculating the weighted Repository Universitaverage number of shares outstanding during the periodvijava Repository University (2) Dilutive securities: The company may have securities outstanding that can be converted into common stock or Repository Universitemployee stock options and warrants that may be exercisable Repository Universit (i.e. Epotentially dilutive securities), so the number of shares of Repository Universit common that potentially may share in this net income is greater than the number reported as outstanding. Repository Universita Repository Universitas Brawijaya Repository Universitas Brawijava Repository 12:24 or the Effect of Financial Leverage ry Universitas Brawijaya Repository Universitas Brawijava According to Brealey, et al (2001, p. 560), Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universi "Financial leverage refers to the extent to which a firm relies on Repository Universidebt The more debt financing a firm uses in its capital structure, the more financial leverage it employs. Financial leverage can Repository Universitas Brawijaya Repository

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Remarkably, however, financial leverage inage nue applied is structure of spository university is irrelevant because changes in capital structure won't affect the value of the firm." Remarkably, however, financial leverage in capital structure won't affect the value of the firm." Repository university and the additional leverage (DFL) as repository independent variable and market risk or systematic risk as intervening variable; because there was previous study researching about Degree of Financial Leverage (DFL) with fitle the relationship between systematic risk and the degrees of operating and financial leverage by Gahlon and Gentry (1982); The result of this research is Degree of Financial Leverage (DFL) can increase systematic risk. The researcher choose Degree of Financial Leverage (DFL) and Debt to Total Assets or Debt Ratio (DR) as independent variable and Return On Equity (ROE) as dependent variable, because there was previous study researching about relationship between financial leverage, and financial performance. evidence from fuel, and energy sector of Pakistan by Akhtar (2012). The result of this research is repository Financial leverage (DFL) and Debt to Total Assets or Debt Ratio (DR) as independent variable and Return On Equity (ROE) as dependent variable, because there was previous study researching about relationship between financial leverage, has a positive relationship with financial performance (ROE) of the companies operating in fuel and energy sector. The researcher choose Degree of Financial Leverage (DFL) and Debt to Total Assets (DR) as independent variable and Earnings Per Share (EPS) as dependent variable, because there was previous study researching about dependent variable, because there was previous
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the effect of financial leverage on corporate performance of some selected
Repository companies in Nigeria by Oio (2012) The result of this research is Financial Repository
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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijay 59 Repository Universitas Brawijaya debt and leverage can result to increasing Repository UnivReturn on Equity (ROE) and Earning per Share (EPS) up to a certain epository Universitas Brawijaya Repository Universitas Brawijaya Repository University of operating income. The degree of financial leverage (DFL) can Repository Universitas Brawijaya Repository Universitas Brawiiava Repository Universitas Brawijaya Reposito Earnings Before Interest and va Repository Universitas Brawijava Repository Universitas Brawijava Repository Tax Repository Universitas Brawijaya Earning Before Tax Repository Universi (Gibson 2009 p. 336) Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijava Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universite The company's debt ratio can be seen by using Debt to Total Repository University of Debt Ratio (DR), DR is also called the ratio of total debt. Repository Univusing of Debt to Total Assets (DR) as an independent variable is to Repository Universitas Brawijava Repository Universitas Brawijava Repository Universigate the acquisition of the ratio of total debt divided by total Repository Univassets of the company. Leverage ratio can be calculated by using the Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawij Repositori/Liabilities sitas Brawijaya Total Debt Ratio ReposiTotal Assetsersitas Brawijaya Repository Universitas Repository Universitas (Brealey, Myres, Marcus, 2001 p. 138) ersitas Brawijaya Repository Universitas Brawijaya Repository Universita EPS is the amount of income earned on a share of common Repository Universe during an accounting period applied only to common stock and to Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Uni corporate income statements. Computing earnings per share initially Repository Universitas Bravincome, preferred stock dividend declared and Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Univaccumulated, and the weighted average number of shares outstanding, Repository Universitas Brawijaya Repository Universitas Brawijaya

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9	Repository	Universitas Brawijaya	Y2) with the int	ervening variable	Brawijaya e-(Z).	Repository
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(and	Repository Universit ^{Based} or	the table 5, the compa	ny that has the highest va	lue of Repository
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3	Repository UnLeverage increase	ed to 5.48. The value	of 5.48 or 548 % mean	sthat Repository
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SS S	Repository Universitas Brav	vijaya Repositor	y Universitas Brawij	ava Repository
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BRAWIJ	Repository U Source: Processed Data (2014) Repository University Using fixed costs in a com Repository U negative influence depends on how the Repository University Source and the source of the company that has the hig	pany can provide a positive or manager manages his fixed costs rom using these funds. Based on hest value of Total Debt to Total	Repository Repository Repository Repository Repository Repository Repository
REPOSITORY.UB.AC.ID	Repository Universital Brawing Repository Assets (DR) in the year of 2010 is PT 0.69, Total Debt to Total Assets value Repository U showed that the total assets of the com Repository U finance assets. The higher this ratio	Unilever Indonesia Tbk reaching e of PT Unilever Indonesia Tbk pany is amounted to 0.69 or 69 % s a low proportion of equity capital	Repository Repository Repository Repository Repository Repository Repository
BRAWIJAYA	Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Ugear of 2012, the value of Total Debt Repository Universitas Brawijaya Repository Universitas Brawijaya	11 decreased to 0,65, and in the to Total Assets (DR) decreased to having the lowest Total Debt to ory Universitas Brawijaya ory Universitas Brawijaya ory Universitas Brawijaya ory Universitas Brawijaya ory Universitas Brawijaya	Repository Repository Repository Repository Repository Repository Repository Repository Repository Repository

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Repository	Universitas Brawijava	Repository Universitas Brawijaya
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Repository	Universitas Brawijaya	Repository Universitas Brawijaya
Repository	Total Assets (DR) is PT Har	njaya Mandala Sampoerna Tbk reaching 0.15
Repository	U or 15 %, then in the year	of 2011 it increased to 0.44.B Inv2012, at
Repository	Universitas Brawijaya	Repository Universitas Brawijaya
Repository	increased again up to 0.49.	In other words, if the company has a higher
Repository	U debt, it will improve the value	e of Total Debt to Total Assets (DR). WIJaya
Repository	Universitas Brawijaya	Repository Universitas Brawijaya
Repository	(3) Earnings Per Share (El	Repository Universitas Brawijaya
Repository	Universit Earnings Per Share	e (EPS) is used to determine the success of a
Repository	Universitas Brawijaya	Repository Universitas Brawijaya
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Repository	each share of common s	stock. Earnings Per Share (EPS) can be
Repository	Universitas Brawijaya	Repository Universitas Bráwijaya
Repository	\bigcup calculated using the formula:	Repository Universitas Brawijaya
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Repository	company which is researche	Repository Universitas Brawijaya
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6	Repository Upased on the	e table 7. the cor	mpany that has	the highest val	ue of <i>Earnings</i>	F
	Repository Universitas	Brawijava	Repository	Universitas	Brawijava	F
	Repository Universitas	<i>(EPS)</i> in 2010 is	s PT Taisho Ph	narmaceutical	indonesia Tbk	F
	Repository Universitat	58 Thenainahe	Recording	ocreased to 22	269 In 2012 it	F
9	Repository Universitas	Brawijava	Repository	Universitas	Brawijava	F
JB.AC	Repository Udecreased t	o 36.93. In 2010	and 2011, the c	company that h	ad the highest	F
ORY.L	Repository Universites	minge Por Share	PERSO BIT TOIL	Universitas	Brawlaya	F
POSIT	Repository Universitas	Brawijava	Repository	Universitas	Brawijava	F
RE	Repository UTbke Farnin	gs Per Share sho	wed the conditi	on of the comp	any whether it	F
	Repository Universitas	Bravilavano	Repeator	Universitas	Brawijava	F
8	Repository Universitas	Brawijaya	Repository	Universitas	Brawijaya	F
A	Repository Ucompany w	ll be. This sugge	sts that PT Tais	ho Pharmaceu	tical Indonesia	F
AS =	Repository Universitas	Brawijaya	Repository	Universitas	Brawijaya	F
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E C	Repository Uthatehad at	e lowest value	of Earnings Pe	r Share was	PT Indofarma	F
2 %	Repository Universitas	Brawijaya	Repository	Universitas	Brawijaya	F
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-10	Repository Universitan	e year of 2012 it	increased to 13.	68 iversitas	Brawijaya	F
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	Repository Universitas	turn On Equity	Repository (ROE) is used	Universitas Universitas	Brawijaya	1
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7	Repository Ur	niversitas Brawijaya	Repository	Universitas	Brawijaya	Repository
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Ň	Repository Ur	niversitas Brawijaya	Repository	Universitas	Brawijaya	Repository
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	Repository Ur	Table 8. Return on Equity (R	OE) In the Yea	r of 2010-2012	Brawijaya	Repository
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	Repository Ur	Return on Equity (ROE) in	the year of 2	2010 is PT Inc	lofood Sukses	Repository
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6	Repository Ur	Makmur 1bk reaching 0.94	or 94%. In the	e year of 2011s	it increased to	Repository
	Repository Ur	0.96 or 96 %. In 2012 it c	lecreased to 0	.23 or 23 %.	The greater of	Repository
	Repository Ur	niversitas Brawijaya	Repository	Universitas	Brawijaya	Repository
	Repository Ur	Return On Equity that is ger	nerated by the	company, the m	nore interested	Repository
	Repository Ur	the investors will be to invest	t in the compa	ny and the bett	er the value of	Repository
	Repository Ur	niversitas Brawijaya	Repository	Universitas	Brawijaya	Repository
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Repository	U the lowest value of Return	On Equity (ROE) in the year of 2010 is PT
Repository	Universitas Brawijaya	Repository Universitas Brawijava
Repository	Universitas Brawijaya	Repository Universitas Brawijaya
Repository	it increased to 0.06 or 6 %	and then in the year 2012 decreased is equal
Repository	Universitas Brawijaya	a of Return on Equity from the sample of
Repository	Universitas Brawijaya	Repository Universitas Brawijaya
Repusitory	companies is due to the ch	ange of profit after tax from the company that
Repository	affects Return on Equity (R	DE) obtained of Universitas Brawijaya
Repository	Universitas Brawijaya	Repository Universitas Brawijaya
Repository	(5) Market Risk (β)	Repository Universitas Brawijaya
Repository	Universit <i>MarketaRisk</i> vis a	lso referred to as systematic risk or non-
Repository	Universitas Brawijava	Repository Universitas Brawijaya
Repository	diversifiable risk. In this res	search the systematic risk that is affected by
Repository	U change in interest rates, m	onetary policy, government spending, foreign
Repository	Universitas Brawijaya	Repository Universitas Brawijaya
Repository	exchange rates, oil prices	, and other macroeconomic events affects
Repository	\cup almost all companies and th	e returns on almost all stocks. If the market is
	8 8 8 1 1 J 2005 1 2	
Repository	Universitas Brawijaya	Repository Universitas Brawijaya
Repository Repository	up on a particular day, the	n the net impact of macroeconomic changes
Repository Repository Repository	up on a particular day, the must be positive. The follo	n the net impact of macroeconomic changes wing table demonstrates the data of <i>Market</i>
Repository Repository Repository Repository	up on a particular day, the must be positive. The follo $Risk$ (β) from the sample of	n the net impact of macroeconomic changes wing table demonstrates the data of <i>Market</i>
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Repository Repository Repository Repository Repository Repository	up on a particular day, the must be positive. The follo <i>Risk (β)</i> from the sample of Table 9. Market Risk (β)	n the net impact of macroeconomic changes wing table demonstrates the data of <i>Market</i> companies that is researched. Brawijaya Repository Universitas Brawijaya
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Repository U 2012 it decreased to 0,47	or 47 %. Stock with a beta greater than 1 is	Repository
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Repository Untered to as an aggressiv	e stock, while having a beta of less than 1 is	Repository
Repository Uneferred tosas defensive s	stocks. For aggressive stocks, if there is a	Repository
Repository Universitas Brawijaya	Repository Universitas Brawijaya	Repository
Repository Uchange (increase or decrea	ase) in the advantages rate of market portfolio	Repository
Repository Universitas 10% then the	rate of profit shares is changed in the same	Repository
Repository Universitas Brawijaya	Repository Universitas Brawijaya	Repository
Repository Undirection as much as a 9% a	and vice versa for defensive stocks. According	Repository
Repository Universitas Bravilava	409) "Aggressive stocks amplify any market	Repository
Repository Universitas Brawijaya	Repository Universitas Brawijaya	Repository
Repository Universents. If the market g	oes up, it is good to be in aggressive stocks; if	Repository
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Repository Unourmoney lin theij bank)	. Aggressive stocks have high betas, betas	Repository
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Repository Uone-for-one to changes in t	he return of the overall market." Brawijaya	Repository
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Repository Univ The result of descriptive	e statistics of research variables is presented in	Repository
Repository Universitas Brawijaya	Repository Universitas Brawijaya	Repository
Repositor able 9. This research is expected	ed to simplify the meaning of the data obtained	Repository
Reposito and the results can be concluded	I from the result of these calculations.	Repository
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Repository Universide on the Indonesian Stock Exchange in the period 2010 - 2012 Repository Universitas Brawijava Repository Universitas Brawijaya

Reposit		Descriptive	Statistics			jaya
Reposit	Ν	Minimum	Maximum	Mean	Std. Deviation	aya
Reposit ^{DFL}	39	0.18	21.21	2.0838	3.30888	aya aya
Reposil ^{DR}	39	0.15	0.71	0.3799	0.15887	aya
Repositroe	39	0.04	1.22	0.3348	0.30298	aya
Reposileps	39	1.40	9.51	5.4280	1.96172	aya
Reposit Market risk	39	0.00	1.49	0.4710	0.29596	aya
Reposit Reposit	se) 39				3103 11090	aya

aya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito Table 10 shows the descriptive statistic variables of research with the number Reposito of valid data for each variable with 39 observations, which is the number of Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito sample companies over the period of 2010 until 2012. A description of each Repository anable is as follows: Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito (1) Degree Of Financial Leverage (DFL) sitory Universitas Brawijaya Repository Universitas Brawijava During the research period, the mean value of Degree of Financial Repository Universitas Brawijava Repository Leverage (DFL) is equal to 2.0838. In the year 2012, PT Hanjaya Mandala Repository Universitas Brawijaya Repository Sampoerna Tbk had the maximum value of Degree of Financial Leverage Repository (DFL) reaching 21.21. Meanwhile, in the year of 2010 at PT Ultrajaya Milk Repository Universitas Brawijava Repository Universitas Brawijava Repository Industry and Trading Company Tbk had the minimum value of Degree of Repository Financial Leverage (DFL) reaching 0.18. The standard deviation of Degree Repository Universitas Brawijaya Repository Universitas Brawijaya Repository of Financial Leverage (DFL) is equal to 3.30888 niversitas Brawijaya Repository Universitas Brawijaya

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Normality test aims	to test whether the regression model the	Repository
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In addition to use one sample of	of kolmogorov-smirnov test, normality research	Repository
Repositor data can be tested by using a	analysis of histogram graph. If the histogram	Repository
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Repositor graph shows a normal distribution	on pattern, then the regression model will meet	Repository
Repositor the assumptions of normality A	good regression model is the data distributed	Repository
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Repositor normally (Ghozali, 2011:160). C	harts and graphs of normal histogram plots for	Repository
Repositor normality test are as follows:	Repository Universitas Brawijaya	Repository
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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya yeateb 2010-2012 Universitas Brawijaya



Repository Figure 4. Normal P-P Plot graphic of the consumer goods industries on ROE Repository Universitas Brawijaya Repository Universitas Brawijava Repository Universitas Bregistered in Indonesia Stock Exchange itas Brawijaya Repository Universitas Brawijan the year of 2012 Diversitas Brawijaya Based on the figure 3 and figure 4, it is shown that the results of Repository Universitas Brawijaya Repository Univ Repositor normality test using histogram graphic analysis and normal plot graphic, is the Repository Universitas Brawijaya Repository Universitas Brawijava Repositor normal distribution pattern which is close to normal. Therefore, we can see Repositor dots spreaded around the diagonal line in the graphic. In order to ensure Repository Universitas Brawijava Repository Universitas Brawijaya Repository Universitas Brawijaya

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Table 14. Test Result of the M	Aulticollonierity ROE on Variance Inflation Factor
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Table 15. Test Result of the Repository	Multicollonierity EPS on Variance Inflation Factor
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Table 16. Test Results of th	e Multicollonierity Market Risk (β) on Variance
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the Indonesia Stock	Exchange in the year of 2010 – 2012
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Based on the tables 14, 15 ar	nd 16, it can be seen that the variable Degree of
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Repositor have a tolerance value great	er than 0.1 and less than 10 VIF (VIF <10) on
Repositor ROE and EPSS The Degree	of Financial Leverage (DFL) and Debt to Total
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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijay 83 Repository Universitas Brawijaya Repository Universitas Brawiava <10) on market risk (β). Based on the result in the table 14, 15 and Table 16, it Repositor can be concluded that there is no multicollinearity in the regression model. ya Repository Universitas Brawijava Repository Universitas Brawijaya Repositor (3) The Result of Autocorrelation Test sitory Universitas Brawijaya Repository Universite autocorrelation test is aimed to test whether there is correlation Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor between, the bully error on t period and the bully error on t-1 period in the Repositor linear regression model. If there is a correlation, then there is a problem called Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor autocorrelation. This test can been detected using Durbin Watson (DW test). A Repositor good regression model is autocorrelation-free regression, in which the value of Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor Durbin Watson calculation lies in the area with no autocorrelation (dU <dw <4 -Repositor dU). Autocorrelation test results can be seen in table 16 below. Brawijaya Universitas Brawijaya Repository Universitas Brawijaya Repository Repositor Table 17: Test Result of The Autocorrelation Return On Equity (ROE) on the Repository Universitas Brawijaya Repository Universitas Brawijaya Industries Listed on the Indonesian Stock Repository Universitas Brawijaya Repository Universitas Brawii Repository Universitas Brawijaya Repositor Unave Decision Brawijava rsitas 4- du Brewi a dw itory Univ Reposito 39 U0,05e rs**B**a 1.658 1.294 2.342 Autocorrelation Source: Processed Data (2014) Reposit Repository Universitas Brawijava Repositor Based on the test result in Table 17, testing against statistical regression Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor models resulting dw statistic is equal to 1.294. In this research, the number of Repository Universitas Brawijava observations (n) as many as 39 Repository Universitas Brawijaya samples and independent variables (k ') as Repositor many as 3 variables will yield an upper limit (dU) of 1.658. Autocorrelation regression model result shows that the data does not lie in dU <dw <4 - dU. Repository Universitas Bra Repository Repositor From the data, we can concluded that the regression model used is Repository Universitas Brawija Repository Universitas Brawijava Repositor autocorrelation. Autocorrelation ROE arises because of sequential Repositor observations over time and related to one another. Iniversitas Brawijaya Repository Universitas Brawijaya

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Based on the test result in Ta Repository Universitas Brawijaya	ble 19, testing against statistical regression
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Repositor dissimilarity that bocurs an ath	e regression model trom residual of one
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nepusitory universitas pravijaya Repository Universitas Brawijaya Repository Universitas Brawijava Repository UniverFigure 11. The Result of Heteroscedastisity on the consumer goods Repository Universitas Industries Listed on the Indonesian Stock Exchange Vijaya Repository Universitas Brawijaya Repository Universitas Brawijava in the yeas of 2010-2012 rsitas Brawijava Repository Universitas Brawijaya Repository Universitas Brawijava Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijay28 Repository Universitas Brawijaya Repository Universitas Brawijava significant effect on market risk (β) (Z). Based on the test results of the path Repositor coefficients in table 19, the probability of F count value obtained is equal to Repository Universitas Brawijava epository Universitas Brawijava 0.000 (p <0.05). There is a significant simultaneous influence between the Reposit Repositor Degree of Financial Leverage (DFL) (X1), and Debt to Total Assets (DR) (X2) Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito on market risk (β) (Z). Therefore the result supports the hypothesis, H0 is Repositor rejected and Ha is accepted. Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository UniverThe amount of contribution variable of the Degree of Financial Repositor Leverage (DFL) (X1) and Debt to Total Assets (DR) (X2) on market risk (β) (Z) Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor can be seen from the value of Adjusted R Square which is 0.495. This means Repositor that 49.5 % variable market risk (β) (Z) will be influenced by the independent Repository Universitas Brawijaya epository Universitas Brawijaya Repositor variables. The Degree of Financial Leverage (DFL) and Debt to Total Assets epository Universitas Brawijava Repository Universitas Brawijaya (DR). Then, a percentage of 50.5 % is influenced by other variables that are Repositor not addressed in this research. Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository University and the value of R (correlation coefficient) indicates that the magnitude Repositor of the relationship within the independent variables is the Degree of Financial Repository Universitas Brawijava Repository Universitas Brawijava Repositor Leverage (DFL) and the Debt to Total Assets (DR) on the dependent variables, Repositor namely the market risk (β). The value of R (correlation coefficient) is equal to Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito 0.722. The value of this correlation suggests that the relationship among the Repositor independent variables is the Degree of Financial Leverage (DFL) (X1) and the Repository Iniversitas Brawijaya Repository Universitas Brawijaya Repositor Debt to Total Assets (DR) (X2) on market risk (β) (Z) falls into category of a low correlation because there is no interval from 0.75 to 1.00. This relationship Repositor Reo OSIION Repositor is positive, meaning that if the independent variables increase, the dependent Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor variable will also increase. Repository Universitas Brawijaya ava Repository Universided on the test result of each independent variables, which Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor consist of Degree of Financial Leverage (DFL) (X1) and Debt to Total Assets Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijava	hange in the same direction. If the variable of	Repository
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Repository(4) If the variable of Degree	of Financial Leverage changes, it will cause a	Repository
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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawija Repository Universitas Brawijaya 494 or 49.4 %. In other words, the influence Repository Univers Market Risk (β) is equal to 0 Repository ository Repository Up Degree of Financial Leverage (DFL) and Debt to Total Assets (DR) on Repository Universitas Brawijav epository Universitas Brawijaya Return On Equity (ROE) is equal to 50.6 %. Universitas Brawijaya Repository Repositor (2) The magnitude of the changes of Earning Per Share (EPS) caused by Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Degree of Financial Leverage (DFL), Debt to Total Assets (DR) and Repository Umarket Risk (B) is equal to 0.334 or 34.4 %. In other words, the influence Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Upf Degree of Financial Leverage (DFL) and Debt to Total Assets (DR) on Repository Upper Share (EPS) is equal is equal to 65.6 %. Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor (3) The magnitude of the changes of Market Risk (β) caused by Degree of Repository Financial Leverage (DFL) and Debt to Total Assets (DR) is equal to 0.522 Repository niversitas B awijaya Repository Universitas Brawijaya Repository Upr 52.2 %. In other words, the influence of Degree of Financial Leverage Repository Universitas Brawilava Repository Universitas Brawija (DFL) and Debt to Total Assets (DR) on Market Risk (β) is equal to 47.8 %. Repositor 5.3.4.4/ Direct Effect, Indirect Effect and Total Effectersitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository University analysis is used to see the consequences (effects) directly and Repositor indirectly from a variable that is hypothesized to be the cause of the variables Repository Universitas Brawijaya Repository Universitas Brawijava Repositor treated as a result (effects). It can be explained that path analysis can be used Repositor to find an explanation for the patterns of direct and indirect relations of a Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor causal model that is based on theoretical consideration and the knowledge of Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Unive The description of path analysis and path coefficients can explain Repositor the relationship between two variables, in which the relationship has a direct or Repository Repositor indirect influence The direct effect is the effect of independent variables Repository Universitas Brawijava Repository Universitas Brawijava Repositor affecting the dependent variable directly without going through other variables. Repositor The indirect effect is the effect of independent variables on the dependent Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor variable through another variable. To determine the strength of influence of Repository Universitas Brawijaya Repository Universitas Brawijaya

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	Repository Source: Processed Data (2014) Based on table 23, direct effect of <i>Debt to Total Assets (DR)</i> on <i>Return On Equity (ROE)</i> through <i>market risk (β)</i> is equal to -0.076. Direct effect of <i>Debt to Total Assets (DR)</i> on <i>Earnings Per Share (EPS)</i> through	Repository Repository Repository Repository Repository
	market risk (β) is equal -0.146. Direct effect of Degree of Financial Leverage (DFL) on Return On Equity (ROE) through market risk (β) is equal to 0.310. Direct effect of Degree of Financial Leverage (DFL) on Earnings Per Share	Repository Repository Repository Repository Repository
	Repositor (EPS) through market risk (β) is equal to 0.334. Universitas Brawijaya Repository Universitas Brawijaya	Repository Repository Repository Repository Repository
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	Based on table 24, indirect effect of <i>Debt to Total Assets (DR)</i> on <i>Return On</i> <i>Equity (ROE)</i> through <i>market risk (β)</i> is equal 0.285. Indirect effect of <i>Debt to</i> <i>Total Assets (DR)</i> on <i>Earnings Per Share (EPS)</i> through <i>market risk (β)</i> is	Repository Repository Repository Repository Repository
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Repository University and the period of the Degree of Financial Leverage (DFL) on	Repository
Repositor Return On Equity (ROE) through market risk (B) is equal to 0.219. Indirect	Repository
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Repositor through market risk (B) is equal to 0.960 sitory Universitas Brawijaya	Repository
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Based on table 25, total effect of Debt to Total Assets (DR) on Return On	Repusitory
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Reposite 3/4 shine Result of Hypothesis Testingsitory Universitas Brawijaya	Repository
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Repository UniThe Value of CR (Critical Ratio) is used to determine parameter whether	Repository
Reposit there is or not a partial influence. To determine whether there is or not an	Repository
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Repositinfluence of the endogenous on exogenous and variables of endogenous on	Repository
Reposit endogenous, the following terms are used: comparing value with the probability	Repository
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Repositievel of significance = 0.05. If the significance value is less than 0.05, then there	Repository
is an influence from variable of endogenous on exogenous and variables of one	Repository
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Repositençogenous on other endogenous. If the significance value is greater than 0.05,	Repository
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osiro	Repository Un	iiversitas	Brawijaya	Repositor	y2.078v v Univ	ersitas	Braw	ijaya⊓3 iiava	Repository
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R	Repository Un	niversitas	Brawijaya	Repositor	y Univ	ersitas	Braw	ijaya	Repository
A	RepositionFRS	niversi tas	MARKETRISK	Rep2.646	y1.268v	2.086	037	ijaya l 7	Repository
TAS	Repository Un Source:	Processed I	Data (2014)	Repositor	y Univ	ersitas	Braw	ijaya –	Repository
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500	Repository	iversitas	Brawijaya	Repositor	v Univ	ersitas	Braw	ijava	Repository
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	Repository Un	niversitäs	othesis 1 show	s that there	is sign	ersitas	ffect from	om the	Repository
e	Repository Un	ariable of L	egree of Financi	ial Leverage	(X1) on	variable	of Earn	ing Per	Repository
JB.AC	Repository Un	liversitas Share_(EPS	Brawijaya	Repositor	y Univ	ersitas	Braw he varia	ijaya able of	Repository
TORY	Repository Un	iversitas	Brawijaya	Repositor	y Univ v Univ	ersitae	Braw	ijava	Repository
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	Repository Ur	Share (EPS)	(Y1) shows that	there is a sig	nificant	result (wi	th a pro	bability	Repository
-	Repository Un	value of 0.0	3<0.05 and cr	itical ratio is	equal to	ersitas	Braw	can be	Repository
X	Repository Un	iversitas	Brawijaya	Repositor	y Univ	ersitas	Braw	ijaya	Repository
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N N	Repository Un	Degree of H	- inancial Levera	ge variable ((X1) has	s positive	e influe	nce on	Repository
ERS	Repository Ur	Harnind Per	Sharei (FPS) (Repusitor Repusitor	y Univ fficient∨	ersilas froieare	Braw	ijaya inancial	Repository
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(-181	Repository Un	niversitas	Brawijaya	Repositor	y Univ	ersitas	Braw	ijaya	Repository
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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawija 340 Repository Universitas Brawijaya Repository University (X2) effect on Repository Universit Universitas Br the variable of Return On Equity (Y2) shows Repository U that there is significant result (with a probability value of 0.615> 0.05) and Repository Universitas Brawijava epository Universitas Brawijaya Repository Unitical ratio is no equal to -0.503<1.96. This result suggests that the Repository U researcher has to receive H0 or null hypothesis that there is no effect Repository Universitas Brawijaya Repository Universitas Brawijava Repository U from Debt to Total Assets (DR) (X2) on Return On Equity (ROE) (Y2) and Repository U the researcher has to reject alternative hypothesis or H4 suggests that Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U there is effect of Debt to Total Assets (DR) (X2) on Return On Equity Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U support the hypothesis 4. Because, in the year of research, the value of Repository Un greater than Debt to Total Return On Equity (ROE) (DR). Assets Repository Repository U According to Brealey, et al (2001, p. 98-99) UA firm can achieve a higher Repository Universitas Brawijava Repository Universitas Brawija Repository growth rate without raising external capital if (1) it plows back a high Repository Uproportion of its earnings, (2) it has a high return on equity (ROE), and (3) Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U it has a low debt-to-asset ratio. The firm issues only enough debt to keep Repository U its debt-equity ratio constant. The sustainable growth rate is the highest Repository Universitas Brawijava Repository Universitas Brawijava Repository U growth rate the firm can maintain without increasing its financial leverage." Repository U The Debt to Total Assets (DR) (X2) has no significant effect and negative Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U influence on Return On Equity (Y2) with coefficient of Debt to Total Assets (DR) (X2) which affects the Return On Equity (Y2) as much as -0.141. In Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U other words if Debt to Total Assets (DR) increases 1 unit, then the Return Repository Un On Equity (ROE) will decrease to -0.141. If Debt to Total Assets (DR) Repository Repository U increases 1 unit, then the Return On Equity (ROE) will decrease to -0.141. Repository Universitas Brawijaya Repository Universitas Brawijaya Repository⁽⁵⁾ Testing Hypothesis 5 Repository Universitas Brawijaya ava Repository Universit Hypothesis 5/ shows that there is significant effect from the Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Uvariable of Degree of Financial Leverage (X1) on variable of market risk Repository Universitas Brawijaya Repository

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Repository Universitas Brawijaya calculation from the variable of Degree of Repository Universitas Brawijaya Repository U(β) (Z) The result of the Repository Universitas Brawijaya Repository U Financial Leverage (X1) effect on the variable of Smarket risk (β) (Z) Repository Universitas Brawijava Repository Universitas Brawijava Repository U shows that there is significant result (with a probability value of 0.000 < Repository U 0.05) and critical ratio is equal of 3.454 > 1.96. It can be concluded that Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U the research result support the hypothesis 5. The Degree of Financial Repository U Leverage (X1) has significant effect and positive influence on market risk Repository Universitas Brawijaya Repository Universitas Brawijaya Repository \bigcup (β) (Z) with coefficient of Degree of Financial Leverage (X1) which affects Repository Universitas Bravilaya Ruch as 0.036. In other words if Degree of Repository Universitas Bravilaya Repository U Financial Leverage (X1) increases 1 unit, then the market risk (β) (Z) will Repository Un . If Degree of Financial Leverage (X1) Repository Universitas Brawijaya Repository U decreases 1 unit, then the market risk (β) (Z) will also decrease to 0.036. Repository Universitas Brawijaya Repository Universitas Brawijaya (6) Testing Hypothesis 6 Repository Universitas Brawijaya lava Repository Universit Hypothesis 6 shows that there is a significant effect from the Repository Universitas Brawijaya Repository Universitas Brawijaya Repository variable of Debt to Total Assets (DR) (X2) on variable of market risk (β) Repository U(Z). The result of the calculation from the variable of Debt to Total Assets Repository Universitas Brawijava Repository Universitas Brawijava Repository \bigcup (DR) (X2) effect on the variable of market risk (β) (Z) shows that there is Repository U significant result (with a probability value of 0.000 < 0.05) and critical ratio Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U is equal to 4.495 > 1.96. It can be concluded that the research results Repository Universities hypothesis 6. The Debt to Total Assets (DR) (X2) has Repository Universitas Brawijaya Repository U significant effect and positive influence on market risk (β) (Z) with coefficient of Debt to Total Assets (DR) (X2) which affects the market risk Repository Universit Repository Repository U (β) (Z) as much as 0.965. In other words, if Debt to Total Assets (DR) (X2) Repository Universitas Brawijaya Repository Universitas Brawijaya increases 1 unit, then the market risk (β) (Z) will also increase to 0.965. If Repository Repository U Debt to Total Assets (DR) (X2) decreases 1 unit, then the market risk (β) Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U(7) will also decrease to 0.965 Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository I	Universites	othesis 7 show	s that there is	a significant e	ffect from the
Repository l	Universitas	Brawijava	Repository	Universitas	Brawijava
Repository l	variable of m	arket risk (β) (Ζ,) on variable of	Earning Per Sha	are (EPS) (Y1).
Repository I	The result of	the calculation	from the variabl	e of market ris	(B) (Z) effect
Repository l	Universitas	Brawijaya	Repository	Universitas	Brawijaya
Repository l	on the varial	ble of <i>Earning</i>	Per Share (El	PS) (Y1) shows	that there is
Repository l	Universite re	sult (with a prob	ability value of (0.037 < 0.05) ar	d critical ratio
Repository I	Jniversitas	Brawijaya	Repository	Universitas	Brawijaya
Repository l	is equal of 2	2.086 > 1.96. It	can be conclu	ded that the res	search results
Repository l	Universitas	Brawies 7	The market risk	(B) (Z) has sin	Brawijava
Repository I	Universitas	Brawijaya	Repository	Universitas	Brawijaya
Repository l	and positive i	influence on <i>Ea</i>	rning Per Share	(EPS) (Y1) with	coefficient of
Repository I		(B) (Z) which at	Repository	Universitas	Brawijaya
Repository l	Universitas	Brawijaya	Repository	Universitas	Brawijaya
Repository l	much as 2.64	16. In other wor	ds if <i>market risl</i>	(β) (Z) increas	es 1 unit, then
Repository l	Universitas	Brawijaya Por Sharo (EPS	Repository	Universitas	Brawijaya
Repository l	Universitas	Brawijaya	Repository	Universitas	Brawijaya
Repository l	<i>risk (β) (Ζ</i>) de	ecreases 1 unit,	then the Earnin	ngs Per Share (EPS) (Y1) will
Repository l	Universitas	Brawijaya	Repository	Universitas	Brawijaya
Repository l	Jaisousciaas	Brawijaya	Repository	Universitas	Brawijaya
Repository	3) Testing Hypo	thesis 8aya	Repository	Universitas	Brawijaya
Repository l	Universitas	Brawijaya	Repository	Universitas	Brawijaya
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Repository (variable of m	arket risk (β) (2	Z) on variable o	f Return On Eq	<i>uity (Y2)</i> . The
Repository (Universitas	Brawijaya	Repository	Universitas 1 market risk (B	Drawijaya
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Repository I	(with a proba	bility value of 0	001 × 0.05) and	I driticat ratibis	amalto 3 216
Repository I	Iniversitas	Brawijaya	Repository	L Iniversitas	Brawijaya
Repository I	> 1.96. lt c	an be concluc	ded that the r	esearch results	support the
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Repository I	Universitas	Brawijava	Repository	Universitas	Brawijava
Repository I	influence on	Return On Equ	<i>ity (Y2)</i> with co	efficient of <i>mark</i>	ket risk (β) (Z)
Repository I	Universitate	Bthe Return O	PEQUITY (V2)	de miversitans	
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Repository Universitas prawijaya repository oniversitas prawijaya Repository Universitas Brarigure 3. The Summary of Path Analysis Brawijaya Repository Universitas Brawijava Repository Universitas Brawijava Reposito 5.3.5.1 Hypothesis 1 [The variable of Degree of Financial leverage (DFL) Repository Univ(X1) affects Earning Per Share (EPS) (Y2) iversitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Univ Based on the result obtained from the research, the variable of Reposito Degree of Financial leverage (DFL) (X1) has a significant effect on the variable Repository Universitas Brawijaya Repository Universitas Brawijava Reposito of Earning Per Share (EPS) (Y1) because it has probability less than 0.05 Repositor which is 0.033, and also because it has a Critical Ratio more than 1.96 which is Reposito 2.126. The positive beta coefficient indicates a movement in the same direction Reposito between the variables of *Degree of Financial Leverage (DFL) (X1)* and *Earning* Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawija 34 Repository Universitas Brawijaya Reposito per Share (EPS) (Y1). The variable of Degree of Financial Leverage (DFL) (X1) Reposito has a positive effect on the variable of Earning per Share (EPS) (Y1).awija ya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository University is in accordance with previous research by Gill and Mathur Reposito (2011). There is an influence from financial leverage of Canadian firms on Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito profitability. One of the profitability ratio is Earnings per Share (EPS). Using of Reposito very large debt will harm the company because the company will fall into the Repository Universitas Brawijaya Repository Universitas Brawijava Reposito category of extreme leverage (debt extreme), a company stuck in high debt Reposito levels and difficult to let go of the burden of the debt. This is because of the Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito fixed expenses that must be paid by the company regardless of income level. Reposito When profits decrease, *financial leverage* will have a negative impact (adverse). Repository Universitas Brawijaya repository niversitas Brawijaya Reposito Declining profits cannot be used to cover the interest expense to be borne by Repository Universitas Brawija Repository Universitas Brawijava the company. The companies that use large debt will bear the burden of high Reposito interest as well. Therefore, the use of debt is expected to generate a return Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito greater than the interest paid. Repository Universitas Brawijaya Reposito 5.3.5.2 Hypothesis 2 [The variable of Degree of Financial leverage (DFL) Repository Universitas Brawijaya Repository Universitas Brawijava Repository Univ(X1) affects Return On Equity (ROE) (Y2) niversitas Brawijaya Repository Universitation the result obtained from the research, the variable of Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito Degree of Financial leverage (DFL) (X1) has a significant effect on the variable of Return On Equity (ROE) (Y2) because it has probability less than 0.05, Repository niversitas Brawijaya Repository Universitas Brawijaya Reposito which is 0.026 and also because it has a Critical Ratio higher than 1.96, which 2.224. The positive beta coefficient indicates a movement in the same direction Repository Reposito between the variables Degree of Financial Leverage (DFL) (X1) and Return on Repository Universitas Brawijava Repository Universitas Brawija Reposito Equity (ROE) (Y2). The variable of Degree of Financial Leverage (DFL) (X1) Reposito has a positive effect on the variable of Return on Equity (ROE) (Y2). awija ya Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawija 346 Repository Universitas Brawijaya Repository universitas Braviava not in good condition. Meanwhile, in 2012 the Repositor Reposito company had a ROE greater than interest expense to be borne by the Repository Universitas Brawijaya Repository Universitas Brawija Reposito company. In other words, PT Indofarma (Persero) Tbk is in a good condition. It Reposito can be concluded that the Degree of Financial Leverage (DFL) has a positive Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito impact on Return on Equity (ROE). Although there are companies whose Reposito interest expense is greater than the ROE. The companies will still receive a Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito profit even thrugh it is not optimal. Repository Universitas Brawijaya Reposito 5.3.5.3 Hypothesis 3 [The variable of Debt to Total Assets (DR) (X2) affects Repository Universitas Brawijaya Repository Universitas Brawijaya Repository UnivEarning per Share (EPS) (Y1) ository Universitas Brawijaya Repository Univ Based on the result obtained from the research, there is no significant Repository Universitas Repository Universitas Brawijaya Brawijaya Reposito effect from the variable of Debt to Total Assets (DR) (X2) on the variable of Repositor Earning per Share (EPS) (Y1) because it has probability of greater than 0.05, Reposito which is 0.388, and also because it has a Critical Ratio of less than 1.96, which Repository Universitas Brawijava Repository Universitas Brawijaya Reposito is -0,863. The negative beta coefficient indicates a movement in the opposite Reposito direction between the variable of Debt to Total Assets (DR) (X2) and Earnings Repository Universitas Brawijava Repository Universitas Brawijava Reposito per Share (EPS) (Y1). The variable of Debt to Total Assets (DR) (X2) has a Reposito negative effect on the variable of Earning per Share (EPS) (Y1). Because, in Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito the year of research, the value of Earnings Per Share (EPS) greater than Debt to Total Assets (DR). According to Brealey, et al (2001, p. 98-99) " A firm can Repository Universitas Brawijaya niversitas Brawijava *kepository* Reposito achieve a higher growth rate without raising external capital if (1) it plows back Repository Univers a high proportion of its earnings, (2) it has a high return on equity (ROE), and (3) Repositor Reposito it/has a low debt-to-asset ratio. The firm issues only enough debt to keep its Repository Universitas Brawijava Repository Universitas Brawijava Reposito debt-equity ratio constant. The sustainable growth rate is the highest growth Reposito rate the firm can maintain without increasing its financial leverage". This result Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito is not in accordance with the previous research by Ojo (2012). There is Repository Universitas Brawijaya Repository Universitas Brawijava

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawija 38 Repository Universitas Brawijaya Debt to Total Assets from Fuel & Energy Sector Repositor (2012). There is an influence of Repositor Reposito of Pakistans on financial performance. One of the financial performance is Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito Return on Equity (ROE), Repository Universitas Brawijaya Reposito 5.3.5.5 Hypothesis 5 [The variable of Degree of Financial Leverage (DFL) Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Univ Based on the result obtained from the research, there is significant Repository Universitas Brawijava Repository Universitas Brawijaya Reposito effect from the variable of Degree of Financial leverage (DFL) (X1), on the Reposito variable of market risk (β) (Z) because it has probability of less than 0.05 which Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito is 0.000 and also because it has a Critical Ratio of more than 1.96 which is Reposito 3.454. The positive beta coefficient indicates a movement in the same direction Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito between the variables Degree of Financial Leverage (DFL) (X1) and market Repositor risk (β) (Z). The variable of Degree of Financial Leverage (DFL) (X1) has a Reposito positive effect on the variable of market risk (β) (Z). This result is in accordance Repository Universitas Brawijava Repository Universitas Brawijaya Reposito with previous research by Gahlon and Genry (1982). In which Degree of Reposito Financial Leverage (DFL) has effect on Systematic risk or market risk (β) (Z).⁴ Repository Universitas Brawijava Repository Universitas Brawijava Reposito 5,3.5.6 Hypothesis 6 [The variable of Debt to Total Assets (DR) (X2) affects Repository Universite risk (β) (Ζ)] ya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Univ Based on the result obtained from the research, there is significant effect from The variable of Debt to Total Assets (DR) (X2) on the variable of Repository Universitas Brawijaya Kepository Universitas Brawijaya Reposito market risk (β) (Z) because it has probability of less than 0.05 which is 0.000, Repository Universitas Brawia and also because it has a Critical Ratio of more than 1.96 which is 4.495. The Rep ositon Reposito positive beta coefficient indicates a movement in the same direction between Repository Universitas Brawijava Repository Universitas Brawija Reposito the variable of Debt to Total Assets (DR) (X2) and market risk (β) (Z). The Reposito variable of Debt to Total Assets (DR) (X2) has positive effect on the variable of Repository Universitas Brawijava Repository Universitas Brawijaya Reposito market risk (β) (Z) This result is in accordance with previous research by Ojo Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawija 3 Repository Universitas Brawijaya to Total Assets from companies in Nigeria on Reposito (2012). There is influence of *Debt* Repositorsystematic risk or market risk (B) (Z) epository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijava Reposito 5.3.5.7 Hypothesis 7 [The variable of Market risk (β) (Z) affects Earning Repository Universitas Brawijaya Repository Univer Share (EPS) (Y2)] Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universed on the result obtained from the research, there is significant Reposito effect from the variable of market risk (β) (Z) on the variable of Earning per Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito Share (EPS) (Y1). It has probability of less than 0.05 which is 0.037, and also Reposito because it has a Critical Ratio of more than 1.96 which is 2.086. The positive Repository Reposito betal coefficient indicates a movement in the same direction between the Repositor variables market risk (β) (Z) and Earning per Share (EPS) (Y1). The variable of Repository Reposito market risk (β) (Z) has positive effect on the variable of Earning per Share (EPS) Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito 5.3.5.8 Hypothesis 8 [The variable of Market risk (β) (Z) affects Return on Repository Universitas Brawijaya Repository Universitas Brawijaya Repository University (ROE) (Y2) Repository Universitas Brawijaya Repository Universed on the result obtained from the research, there is not significant Repository Universitas Brawijava Repository Universitas Brawijava Reposito effect from the variable of market risk (β) (Z) on the variable of Return on Equity Reposito (ROE) (Y2). It has probability of less than 0.05 which is 0.001, and also Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito because it has a Critical Ratio of more than 1.96 which is 3.216. The positive beta coefficient indicates a movement in the same direction between the Repository Universitas Brawijaya Repository Universitas Brawijaya Reposito variables market risk (β) (Z) and Return on Equity (ROE) (Y2). The variable of market risk (β) (Z) has positive effect on Return on Equity (ROE) (Y2). Repository Uni Repositor Repository Universitas Brawijaya Reposit 5.4/Limitations of Research Va Repository Universitas Brawiiava Repository Universitas Brawijaya Several limitations of this research are found: Repository versitas Brawijaya Reposite. This research uses only independent variables are Degree of Financial Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor Leverage (DFL), Debt to Total Assets (DR) and market risk (β) as intervening Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawija Repository Universitas Brawijaya Repository Universitas Brawijava Repository Variable and uses only dependent variables are Earnings per Share (EPS) Repositoryand Return on Equity (ROE). Actually, there are many more factors or Repository Universitas Brawijaya Repository Universitas Brawijaya UNIVERSITAS BRAWIJA Repositor variables that could affect Earnings per Share (EPS) and Return on Equity Repository (ROE), such as Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Equity Multiplier (EM), and the other indicators of leverage. Moreover, the Repository samples size of this research is small. This research is limited to consumer Repository Universitas Brawijaya Repository Universitas Brawijaya Repository goods industries in Indonesian Stock Exchange Universitas Brawijaya 2. The researcher finds only annual time series data for 3 years from Indonesian Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor Stock Exchange in the year of 2010-2012 with 5 criteria that is used in the sample. So, there are still limitations in the result of research. The researcher Repository Repository Repositorystill found insignificant result in this research, that is the variable of Debt Ratio Repository Universitas Brawijaya Repository (DR) has a negative and a non-significant effect on the variable of Earning RepositoryPer Share (EPS) and Return On Equity (ROE). Meanwhile, the previous Repository Universitas Brawijaya Repository Universitas Brawijaya Repository research found that the variable of Debt to Total Assets (DR) has a significant BRAWIJ Repositor yeffects on Earnings per Share (EPS) and Return on Equity (ROE). awijaya Repository Universitas Brawijaya BRAWIJAY Repository Universitas Brawijaya Repository Universitas Brawijaya

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Reposit influence on Earning per S	hare (EP	S) and Return	on Equity (ROE). In this study	Repository
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Reposit the independent variables a	are the va	ariable of Degre	e of Financial L	everage (DFL)	Repository
Reposit and Debt to Total Assets (L	DR) and r	market risk (β) a	as intervening v	ariable. Based	Repository
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Repositon the conducted calculatio	n of path	analysis are: y	Universitas	Brawijaya	Repository
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words, if the Degree	e of Fina	ncial Leverage	(DFL) increases	s one percent,	Repository
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will also increase or	e percen	t. Thus, we car	conclude that t	he use of high	Repository
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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawija Repository Universitas Brawijaya Repository *Debt to Total Assets* can help the company to get positive value of *market* Repository Unisk(β) itas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor 7. The variable of market risk (β) (Z) has a positive significant effect on the Repository Uvariable of Earning per Share (EPS) (Y1). In other words, if the market Repository Universitas Brawijaya Repository Universitas Brawijava Repository \bigcup risk (β) (Z) increases one percent, regardless of the other independent Repository Uvariables, Earning per Share (EPS) will increase one percent. The Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U companies must have positive betas in order to have aggressive stocks, Repository Upbetas or market risk greater than 1.0. It means that their returns tend to Repository Universitas Brawijāya Repository Universitas Brawijaya Repository U respond more than 1.0 for one change in the return of the overall market. 8. The variable of *market risk* (β) (Z) has a positive significant effect on the Repository Line variable of *market risk* (β) (Z) has a positive significant effect on the Repository Uvariable of Return on Equity (ROE) (Y2). In other words, if the market risk Repository Universitas Brawijava, Repository Universitas Brawijava Repository $\bigcup_{(\beta)}^{(\beta)}(Z)$ increases one percent, regardless of the other independent Repository Uvariables, Return on Equity (ROE) (Y2) will increase one percent. The Repository Universitas Brawijaya Repository Universitas Brawijaya Repository U companies must have positive betas in order to have aggressive stocks, Repository U betas or market risk greater than 1.0. It means that their returns tend to Repository Universitas Brawijava Repository Universitas Brawijava Repository U respond more than 1.0 for one change in the return of the overall market. Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Reposit6.2/Recommendation awijava Repository Universitas Brawijaya Repository University The recommendation of research result that have been achieved, are as Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repositiollowsniversitas Brawijaya Repository Universitas Brawijaya 1. For the management of the company, the results show that the DFL has a Repositor significant effect on EPS, ROE and market risk, DR has a significant effect on Repository Universitas Brawijava Repository Universitas Brawijaya Repositor market risk, but there is no significant effect on ROE and EPS. The value of Repositor the highest critical ratio is the DR on the market risk which is 4.495. Then the Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawija 324 Repository Universitas Brawijaya company should be able to Repository Universitas Brawijaya add value to the DR so that it will get the Repository Universitas Brawijaya RepositorymaximumbenefitBrawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya UNIVERSITAS BRAWIJA Reposit2. Increased DR will provide a positive contribution to Return on Equity and Repository indirectly increases the Earning per Share, and increasing DR will increase Repository Universitas Brawijaya Repository Universitas Brawijaya Repository market estitas Brawijaya Repository Universitas Brawijaya Reposit 3. The result of this study can be used as a reference for other studies that uses Repository Universitas Brawijaya Repository Universitas Brawijaya Repositorythe independent variables, namely DR and DFL, an intervening variable, Repository namely market risk and the dependent variables, namely EPS and ROE. The Repository Universitas Brawijaya Repository Universitas Brawijaya Repositor amount of contribution variable of the Degree of Financial Leverage (DFL) (X1) and Debt to Total Assets (DR) (X2) on market risk (β) (Z) which is 0.495. Repository Universitas Brawijaya kepository Universitas Brawijaya Repositor/This means that 49.5 % variable market risk (β) (Z) will be influenced by the Repository Universitas Brawieve, Repository Universitas Brawieve Repository independent variables. Then, a percentage of 50.5 % is influenced by other BRAWIJAYA Repository variables that are not addressed in this research. To improve this condition, Repository Universitas Brawijaya Repository future studies should be able to make additions to the dependent variables, Repositorythe intervening variables and the independent variables used.s Brawijaya Repository Universitas Brawijaya BRAWIJA Repository Universitas Brawijaya Repository Universitas Brawijaya

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Repository Universitas Brawijaya Repository UniTHE EFFECT OF FINANCIAL LEVERAGE Brawijaya Repository University of FIRMINATIVE AND MARKET RISK as Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Re (Research on Consumer Goods Industries Listed In Indonesian Stock Exchange In Repository Universitas Brathe Vear of 2010-2012 Universitas Brawijava Repository Universitas Brawijava, Repository Universitas Brawijaya Repository Universitas Brawijaya_{Suhadak}ository Universitas Brawijaya Repository Universitas Brawijaya_{Kertalaan}ository Universitas Brawijaya Repository Universitas Eaculty of Administrative Science iversitas Brawijava Repository Universitas Brauniversity of Brawijayay Universitas Brawijaya Repository Universitas Brawijaya Malangository Universitas Brawijaya Repository UniversitaEmailaerindah.dimisyqiyani@gmail.comersitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya This study examines the effect of financial leverage on firm value and market risk, the ${\sf Re}$ place of research in consumer goods industries listed in Indonesian stock exchange in the $R \in$ year of 2010-2012. The researcher uses path analysis, Data were collected from 13 Re companies by annual report. The research suggests that the variable of Degree of Financial Leverage (DFL) has a positive significant effect on the variable of Earning Per Share (EPS). The variable of Degree of Financial Leverage (DFL) has a positive significant effect on the variable of Return On Equity (ROE). The variable of Debt Ratio (DR) has a negative and a non-significant effect on the variable of Earning Per Share Ce (EPS). The variable of Debt Ratio (DR) has a negative and a non-significant effect on $\mathbb{R}_{\mathbb{C}}$ the variable of Return On Equity (ROE). The variable of Degree of Financial Leverage R = (DFL) has a positive significant effect on the variable of market risk (β). The variable of Debt Ratio (DR) has a positive significant effect on the variable of market risk (β). The variable of market risk (β) has a positive significant effect on the variable of Earning Per Share (EPS). The variable of market risk (β) has a positive significant effect on the Revariable of Return On Equity (ROE). Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Re Keywords: Financial Leverage, Firm Value, Market Risk Universitas Brawijaya Repository Universitas Brawijava Repository Universitas Brawijaya I. Introduction pository Universitas Brawijaya Repository Universitas Brawijaya Repos A company produces goods for experiencing constraints in operation and pository Reportaining a target of profit. Profit is eporequires more funding, it must cover the pository

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Repotatined by a company from the total eporequired costs. If the fund needed is pository Revenue minus production costs incurred by epointernally insufficient, then the fund Rispository a company. While a company tries to get a covered by leverage. When the company pository a company. while a company should keep maximum profit, the company should keep gets loan with fixed charges from the outside Re of the company, it will arise debt as a pository producing with a minimum cost. If a Recompany wants to produce goods, the consequence of the loan. This suggests that pository Re company must have a sufficient fund to epothe company has financial leverage. Repository Re operate smoothly. One of the sources of the epository Financial leverage can say that a firm pository fund commonly used by a company comes with debt on its balance sheet is a levered from the external sources of funding. It firm, and a firm that finances its operations Re entirely with equity is an unlevered firm. means that the fund is not available from the operation of the company. It derives from POThat effect can be either positive or pository Ke Conter parties outside the company. Reponegative, depending on the returns a firm pository RepositoThe operation of a company does not epoearns on the money it borrows (Megginson, pository Re always run smoothly. If the company is epoet al, 2007). A manager has to know the pository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository



Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Recondition of a company before using the eporange of consumer products with global pository Refinancial leverage. A Leverage is obtained eposituation showing defensive nature of the pository not only on the fund for production but it is consumer's sector, especially for consumer goods in the territory of Indonesia where the also taken to increase the profits for pository shareholders. A manager has to figure out target market of consumer goods is human. Repository Re the firm value, which can be determined by epository Remeasuring its EPS and ROE. With emost epo2. Content iversitas Brawijaya Repository Recommon/measurementss of the jcompany Repository Universitas Brawijaya Repository Reperformance are earnings per share (EPS) A. Leverage ersitas Brawi Repository and the result of return on equity (ROE) According Anderson (1987, p. 38) use of fixed (Weston and Copeland, 2010 p. 195). Leverage: the charge Rep obligations with the intent of magnifying the analyst of PT Batavia An Prosperindo Securities Julio Parningotan Popotential return to the firm. Financial OSILOTY Re (2012) in Azhar (2012), suggested investors epoleverage: a measure of the amount of debt position Re to avoid the shares of Bakrie group for a epoused in the capital structure of the firm pository Financial leverage is beneficial only if the while, following the falling stock of Bakrie Group last few days. He recommended that firm can employ the borrowed funds to ear a oository the investors turn to investing stocks of the higher rate of return than the interest rate on the borrowed amount. Leverage ratio can be pository Ke consumer and the infrastructure sector, We which were tended rising lately. Unlike epocalculated by using the formula: a ya Repository Re BUMD which is affected by internationa Repos Total Debt versit Total Liabilities Repository Recommodity, consumer and infrastructure Repos Ratio Universitas Total Assets Repository sectors tend to be defensive on the global (Brealey, et al, 2001, p. 138) economy (http://www.tempo.com). Financial leverage defines that a firm with debt on its balance sheet is a levered Based on the previous analysis, the researcher wants to know the effect of firm. Debt effect can be either positive or positiv Re financial/leverage variables on firm value eponegative, depending on the returns a firm pository Re and market risk. The Financial leverage epoearns on the money it borrows (Megginson, pository variables in this study consisted of DR and et al, 2007, p. 451). The degree of financial leverage (DFL) can be computed more Variables of firm value in this DFL. epo research consisted of EPS and ROE easily as follows: Earnings Before Interest and ReIntervening variable in this research is epository RemarketriskUniversitas Brawijaya Reposorcy Universitas Braxwijaya Repository RepositoThe researcher took the object of epository Univer Earning Before Tax Repository research in the consumer goods industries epo (Gibson, 2009, p. 336) Brawijava Repository companies on the Indonesian Stock epository University Repository Exchange.The researcher choose the
consumer goods industries because theB. Return On Equity (ROE)Return On Equity (ROE) The researcher choose the Repository fared pository companies produces products that are often measure of how the stockholders Ke Reconsumed by consumers. This causes the epoduring the vear a Because abenefiting pository Remarket share of product of consumer goods eposhareholders vis our goal, ROE is, in an pository industries not only to a specific community accounting sense, the true bottom-line pository like other industrial products, but also to the measure of performance. ROE is usually middle-market segment up or down the measured as: Ke Repository middle. So, the industries have good Return Net Income Wijaya Reprospect and can maintain the firm's value eposon ry UniverTotal Equity Jaya Repository Reposed of the stay well as Consumer good Reposed by Universitas Brawijaya Repository industries have a strong sector for consumer epo (Ross, et al, 2008, p. 53) awijaya Repository products primarily needed of people. The epository Universitas Brawijaya Repository level of demand is quite stable against a wide Repository Universitas Brawijaya Repository Repo Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Re C. Earning Per Share (EPS) wildya dividend declared and accumulated, and the of shares weighted average number outstanding, as follows: Brawijaya Repository Uniner Income Preferred Repository Universi Dividendsvija $\mathsf{Rep}\mathsf{EPS}_{\mathsf{OT}} = \bigcup \mathsf{Weighted} \mathsf{Average} \mathsf{Number}$ Repository Univ of Common Shares Outstanding (Gibson, 2009, p. 338) Universitas Brawijaya Repository Re**idosMarket Risk**ersitas Brawijaya Reposito We know the performance of the ep market reflects only macro events, because firm-specific events-that is, unique risksaverage out when we look at the combined Ke performance of thousands of companies and Reshould contain all assets in the world eporesearch results sitas Brawilaya Re economy-not just stocks, but bonds, foreign securities, real estate, and so on. In practice, however financial analysts make do with indexes of the stock market, usually the Ke Standard and Poor's Composite Index (the Re S&P 500). Our task here is to define and ep stocks. You can probably see where we are headed. Risk depends on exposure to macroeconomic events and can be measured Re as the sensitivity of a stock's returns to Greek letter β (Brealey et al, 2001, p. 408). The contribution of a stock to the risk of a well-diversified portfolio, we should not Reseparately, but we have to measure the epostatements of the companies on sensitivity to change market. Profit rate sensitivity to changes of market is called beta investment (Husnan, 1990). Beta is se usually measured as: Repository University Reservices and the second sec Repository Univers?(Rм)Brawijaya Repositor(Husnan, 1990 p. 139-140) ava Repository Universitas Brawijaya Repository Universitas Brawijaya

Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Repository Repo**3. Research Method**'s Brawijaya RepositoComputing searnings oper v share epository The researcher Eusesvexplanatory epository initially involves net income, preferred stock concresearch with quantitative approach for position researching type. Quantitative approachepository post positivist worldview, experimental (epc strategy of inquiry, and pre- and post-test pository Repomeasures of attitudes. In this scenario, the pository Reporesearcher tests a theory by specifying pository narrow hypotheses and the collection of pository data to support or refute the hypotheses. An experimental design is used in which attitudes are assessed both before and after Kepu an experimental treatment. The data are pository Repocollected on an instrument that measures pository attitudes, and the information is analyzedepository using statistical procedures and hypothesis testing (Creswell, 2009:16). Explanatory research is a research that aims to test a theory or hypothesis to strengthen or even pository Resecurities. In principle the market portfolio eporeject the theory or hypothesis of existing pository Repository ository UThe independent variable consists posit of Degree of Financial Leverage (DFL) (X₁) and Debt to Total Assets (DR) (X2) on firm's value with the dependent variables consist of Earnings Per Share (EPS) (Y₁) and Return POSITORY On Equity (ROE) (Y_2) and the intervening DOSITORY Remeasure the risk of *individual* common epovariable is market risk (Z) on the consumer pository goods industries listed in Indonesian Stock Exchange in the year of 2010-2012. The research was conducted in Indonesian Stock Exchange in University of Brawijaya. The POSITORY fluctuations in returns on the market eporesearcher chooses this location because the pository Reportfolio. This sensitivity is called the epocompanies, whose financial statements have pository Restock's beta. Beta is often written as the been audited by a public accountant and published is incorporated in the IDX that have gone public The purpose of sampling in this Relook at risk if the shares are owned eporesearch was to determine the financial pository thepository Remarket risk and bring us to measure epoconsumer goods tandustries alisted Fin pository Indonesian Stock Exchange in the year of position 2010-2012 Below are the companies that used in the Repository versitas sample: Repository Repop. PT/Indofood Sukses Makmur Tbk Repo2.itPT/Mayora Indah Tbkrawijaya Repository 3. PT Gudang Garam Tbk Repository PT Hanjaya Mandala Sampoerna Tbk
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	Company Tbk	Value Raturn On Patient States Outstanding Repository
6	10. PT Kimia Farma (Persero) Tbk	Repository United Shas Brawijava Repository
	Re 11. PT Darya Varia Laboratoria Tbk / a	Repository Universitas Bravel Equity Repository
5	Re 12. PT Indofarma (Persero) Tbk jaya	Repository Universital Brawijava Repository Market $\beta = Cov(R_i - R_M)$
5	Rep3. PTo Taishov Pharmaceutical Indonesi	aReposit ^{Risk} Uhirisk (z)tas Bravo ² (Rm)a Repository
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5	Repository Universitas Brawilava	Based on the hypothesis that has
Ň		ReDused in this study is the Path Analysis OSION
	Repos	Report and this study is the rational study
		Renois any extensions of the multiple linear nository
		regression analysis or the use of regression
		analysis to estimate the causal relationship
		among variables (casual model)
	Figure 1 shows conceptual model of this	predetermined by the theory. Path analysis
	research. There are 8 hypotheses:	Repocannot determine causality and cannot be pository
	Repository Universitas Brawijaya	Repoused as a substitute by the researchers to see pository
	Re H1 : The Degree of Financial leverage (DFL)	Reporte causal relationship among variables pository
	H2 The Degree of Financial leverage (DFL)	established with a model based on a
9	affects Return On Equity (ROE)	Reporting theoretical foundation Path analysis is used
٢.	Re H3: The Debt Ratio (DR) affects Earning Per	Repoto determine the relationship among three or pository
2	RepositShare(EPS)ersitas Brawijaya	Repomoreryvariables and scannot/ibey used Ropository
3	$\mathbf{H4}$: The Debt Ratio (DR) affects Return On	Repocnfirm or reject the hypothesis of causality pository
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1	Ro H6: The Debt Ratio (DR) affects market risk	Repository Universitas Brawijava Repository
)	H7 : The Market risk affects Earning Per Shar	e A. Path Statistical Analysis
<i>.</i>	(EPS) Re H8 : The Market rick affects Return On Equit	Table 2. The result of testing DFL (X_1) and
	Reposit(ROE) Iniversitas Brawijava	DK (X_2) on β (Z) (Variable X_1, X_2
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	5. Conclusion of This Research	Independent Coefficients
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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repos that there is a significant result (with a epositoprobability value of $0.388 \ge 0.05$) and pository Reposprobability value of 0.033< 0.05) and epositoritical ratio is equal to -863<1.96 pository Repos critical ratio is equal to 2.126>1.96. It This result suggests that the researcher can be concluded that the research has to receive H0 or null hypothesis that results support the hypothesis 1. The there is no effect from Debt to Total Ke orv Assets (DR) (X2) on Earnings Per Degree of Financial Leverage variable CODES (XI) has positive influence on Earning CO Share (EPS) (Y1) and the researcher has OOSILOTY Repos Per Share (EPS) (Y1) with coefficient epos to reject alternative hypothesis or H3 pository suggests that there is effect of Debt to of Degree of Financial Leverage (DFL) which affects the Earning Per Share Total Assets (DR) (X2) on Earnings Per Share (EPS) (Y1). It can be concluded (EPS) as much as 0.196. In other words os if DFL increases 1 unit, then the that the research results does not Reposearning Per Share (EPS) will also ep support the hypothesis 3. Because, in DOSITORY Reposincrease to 0.196.3 If DFL decreases 1 Repos the year of research, the value of pository Earnings Per Share (EPS) greater than pository Repos unit, then the Earning Per Share (EPS) Repos will also decrease to 0.196. Debt to Total Assets (DR). According : Hypothesis 2 shows that there is to Brealey, et al (2001, p. 98-99) " A significant effect from the variable of firm can achieve a higher growth rate Repos Degree of Financial Leverage (X1) on without raising external capital if (1) it Repos variable of *Return On Equity (Y2)*. The epos plows back a high proportion of its position Repositesult of the scalculation from the the cearnings, (2) it has a high return on pository variable of *Degree* of Financial equity (ROE), and (3) it has a low debt-Leverage variable (X1) effect on the to-asset ratio. The firm issues only variable of Return On Equity (Y2) enough debt to keep its debt-equity ratio constant. The sustainable growth shows that there is a significant result rate is the highest growth rate the firm DOSITORY кер (with a probability value of 0.026< eposition OS 0.05) and verifical ratio is equal to epos Ccan maintain without increasing its DOSITORY Кер financial leverage." The Debt to Total pository Repos 2.224>1.96. It can be concluded that epos the research results support the Assets (DR) has no significant effect hypothesis 2. The Degree of Financial and shows a negative influence on the Leverage variable (X1) has a significant variable of Earnings Per Share (EPS) Rei effect and positive influence on Return with coefficient of Debt to Total Assets Reposion Equity (Y2) with coefficient of epos (DR) which affects the Earning Per POSICOTY Repos Degree of Financial Leverage (DFL) epos Share (EPS) as much as -1.794. In other pository which affects the *Return On Equity (Y2)* words if Debt to Total Assets (DR) as much as 0.028. In other words, if increases 1 unit, then the Earnings Per DFL increases 1 unit, then the Return Share (EPS) will be decreased is equal to -1.794. If Debt to Total Assets (DR) On Equity (Y2) will also increase to Kep decreases 1 unit, then the Earnings Per DOSITORY 0.028. If DFL decreases 1 unit, then the Repos Return On Equity (Y2) will also Repos Share (EPS) will increase to -1.794. Repository Reposidecrease to 0.028 as Brawijava : Null hypothesis 4 shows that there is pository Report H3 : Null hypothesis 3 shows that there is no significant effect from the variable no significant effect from the variable of Debt to Total Assets (DR) (X2) on variable of *Return On Equity (Y2)*. The of Debt to Total Assets (DR) (X2) on Kep 05 variable of Earnings Per Share (EPS) result of the calculation from the $\mathsf{Repos}(\mathsf{YI})$. The result of the calculation from ep variable of Debt to Total Assets (DR) OSION Reposite variable of Debt to Total Assets epos to(X2) effect on the variable of *Return On* pository (DR) (X2) effect on the variable of *Equity* (Y2) shows that there is (Y2)Earnings Per Share (EPS) (Y1) shows significant result (with a probability value of 0.615> 0.05) and critical ratio that there is no significant result (with a Reposit eposi ersitas d Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository

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Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Reposits no equal to -0.503<1.96. This result eposit support the hypothesis 5. The Degree of pository Repos suggests that the researcher has to eposit Financial Leverage (X1) has significant pository Repostreceive H0 or null hypothesis that there effect and positive influence on market is no effect from Debt to Total Assets risk (β) (Z) with coefficient of Degree (DR) (X2) on Return On Equity (ROE) of Financial Leverage (XI) which Keo (Y2) and the researcher has to reject affects the market risk (β) (Z) as much Reposalternative hypothesis or H4 suggests epos as 0.036. In other words if Degree of OSIOV Repositions that there is effects of Debt to TotaRepos Financial Leverage (X1) increases 1 pository Repos Assets (DR) (X2) on Return On Equity unit, then the market risk (β) (Z) will also increase to 0.036 or 3.6. If Degree (ROE) (Y2). It can be concluded that of Financial Leverage (X1) decreases 1 the research results does not support the OS unit, then the *market risk* (β) (Z) will hypothesis 4. Because, in the year of also decrease to 0.036.awijaya Repos research, the value of Return On Equity Repository Repose (*ROE*) greater than Debt to Total Assets epoH6: Hypothesis 6 shows that there is a position VRepos (DR). UAccording to Brealey, et a Reposit significant effect from the variable of ostory (2001, p. 98-99) " A firm can achieve a Debt to Total Assets (DR) (X2) on higher growth rate without raising variable of market risk (β) (Z). The external capital if (1) it plows back a result of the calculation from the Ke high proportion of its earnings, (2) it has variable of Debt to Total Assets (DR) ory Repose a high return on equity (ROE), and (3) epos (X2) effect on the variable of *market* OSION Reposit has a low debt-to-asset ratio. The firm repos $risk \cup (\beta) \in (Z)$ shows that there is pository Reposissues only enough debt to keep its? significant result (with a probability debt-equity ratio constant. The value of 0.000 < 0.05) and critical ratio is equal to 4.495 > 1.96. It can be sustainable growth rate is the highest concluded that the research results growth rate the firm can maintain Reposiwithout Informating Britsvil financial Cep support the hypothesis 6. The Debt to DOSITORY Repos leverage." The Debt to Total Assets epos Total Assets (DR) (X2) has significant DOSILON Repos (DR) (X2) has no significant effect and enos effect and positive influence on market pository negative influence on Return On Equity risk (β) (Z) with coefficient of Debt to (Y2) with coefficient of Debt to Total Total Assets (DR) (X2) which affects Assets (DR) (X2) which affects the the market risk (β) (Z) as much as 0.965. Repos Return On Equity (Y2) as much as In other words, if Debt to Total Assets OOSILOTY Reposition 141. In other words if Debt to Total eposition (DR) (X2) increases 1 unit, then the position Repos Assets (DR) increases 1 unit, then the epos *market risk (\beta) (Z)* will also increase to pository *Return On Equity (ROE)* will decrease 0.965. If Debt to Total Assets (DR) (X2) to -0.141. If Debt to Total Assets (DR) decreases 1 unit, then the market risk increases 1 unit, then the Return On (β) (Z) will also decrease to 0.965. 0S Equity (ROE) will decrease to -0.141. : Hypothesis 7 shows that there is a Ke **H5**: Hypothesis 5 shows that there is constrained significant effect from the variable of constraints of the second seco Repossignificant effect from the variable of epositomarket risks (β) s(Z) on variable of pository Repos Degree of Financial Leverage (X1) on eposit Earning Per Share (EPS) (Y1). The pository variable of market risk (β) (Z). The result of the calculation from the result of the calculation from the variable of *Degree of Financial* variable of market risk (β) (Z) effect on the variable of Earning Per Share Ker *Leverage (X1)* effect on the variable of *EPS* (*EPS*) (*Y1*) shows that there is pository Reposimarket risk (β) (Z) shows that there is epositosignificant result (with a probability pository Repossignificant result (with a probability epos tovalue of $0.037 \le 0.05$) and critical ratio pository Repos value of $0.000 \le 0.05$) and critical ratio is equal of 2.086 > 1.96. It can be is equal of 3.454 > 1.96. It can be concluded that the research results Repository Universitas research result support the hypothesis 7. The market eposit ory Repository Universitas Brawijaya Repository Universitas Brawijaya Repository Repository Universitas Brawijaya Repository Universitas Brawijaya Repository

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