ABSTRACT

This study is performed to test the effect of bussiness risk, firm size, growth, institutional ownership, and DER toward return on equity (ROE). The objective to analyze the effect of the company financial ratios performance (bussiness risk, firm size, growth, institutional ownership, and DER) toward ROE in manufacturing industry over period 2010-2012.

Sampling technique used here is pusposive sampling. The data was taken Indonesian Capital Market Directory (ICMD). It is gained sample amount of 15 data. The analysis technique used here is multiple regression with the least square difference and hypothesis test using t-statistic to examine partial regression coefficient and f-statistic to examine the mean of mutual effect with level of significance 5%. In addition, classical assumption is also performed including normality test, multicolinearity test, and heteroscedasticity test.

The result shows bussiness risk, growth, and DER to have influence toward ROE at level of significance less than 5%, and institutional ownership have influence toward DER at level of significance less than 5%.

Keywords: bussiness risk, firm size, growth, institutional ownership, DER and return on equity (ROE)