# THE NEW EVIDENCE ON RISK AND PRICE TO BOOK VALUE EFFECTS IN STOCK RETURNS

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#### ABSTRACT

Indonesia Stock Exchange is one of the institution that play a major role for the economics of Indonesia. Through the capital market, it can be connecting between the parties non-productive to the productives ones. Stock in one of the good investment option with low risk for investors. The agricultural campanies shares have a good prospects in Indonesia Stock Exchange with uniqueness that is defensive or sluggish movement in the market. The stock return of agricultural companies in Indonesia Sotck Exchange have tended to decline in the periode 20090-2015. While the production and exports have increased. This condition become a gap interesting to further study to determine with a contributing factors. Samples is chosen under a purposive sampling thechnique and data are collected by using the method of documentation study of company in agricultural sectors with the sources deriving from financial statements onf companies listed at the Indonesia Stock Exchange for the yearly period of 2009-2015. Data is analysed by using regression linear processed by through the IBM SPSS software of 23.0 version. Output of this study indicates that the risk and price to book value have significant influence as well to the return on shares as simultaneous and partially with price to book value as dominant influence. This study indicates that companies in agricultural sectors shares in Indonesia Stock Exchange have a unique, where high risk to causes lower return on shares. This results indicate the inconsistent with portfolio theory proposed by Markowitz (1952), where high risk high return. Another thing revealed by this study that period of study has been the economic crisis or bearish condition and the impact on stock purchasing power so that stock price more expensive and impact to drastic decrease of return on share. The new evidence to show that risk and price to book value more increasing it will be progressively decrease return on shares and this condition to showing economic decline condition or in economic crisis (bearish).

Keywords: Standard Deviation, Price to Book Value, Stock Return

#### **INTRODUCTION**

The prospect and business opportunities in the palm plantation and Crude Palm Oil can not be seperated with the Indonesia future prospects. Historical experience to indicated that economic growth have very closely correlates with demand growth of Crude Palm Oil, in this case intermediate goods consumer or end consumer.

The world's palm oil products, dominated by Indonesia and Malaysia. Both of country in totality to produce approximately 85-90% of total world Crude Palm Oil production. Indonesia currently is the bigest manufacturer and exporter Crude Palm Oil in the world. In the long term, CPO demand showed a increase tendency and in line with the world population growth and caused to increase consumer products made from palm oil.

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1. Indonesia	33.000.000
2. Malaysia	19.800.000
3. Thailand	2.000.000
4. Kolombia	1.108.000
5. Nigeria	930.000

 Table 1. Expectations Production of Palm Oil in 2014

Note: in metric tons, Source: Index Mundi

Only a few industries in Indonesia which show the development as fast as the palm oil industry in the last 15 years. The growth showed in production and export from Indonesia and the growth of oil palm plantation area. Driven by the global demand is increasing and profit increase too, palm oil cultivation has increased as significant enchanced by small farmer or by larger Indonesia businessman (by negative impact on living environment and decrease others agricultural products cause farmers switch to oil palm cultivation).

The majority of Indonesia palm oil produce to export (see below table). The most important countries export destination are Taiwan Republic, India, Malaysia, Singapore and Netherlands.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Produksi (million tons)	19.2	19.4	21.8	23.5	26.5	30.0	31.5	32.5	32.0 <sup>1</sup>
Export (million tons)	15.1	17.1	17.1	17.6	18.2	22.4	21.7	26.4	27.0 <sup>1</sup>
Export (US dollar)	15.6	10.0	16.4	20.2	21.6	20.6	21.1	18.6	18.6 <sup>1</sup>

 Tabel 2. Indonesia Crude Palm Oil Production and Export

Information: <sup>1</sup> show prognosis

Source: Indonesian Palm Oil Association (gapki) & Indonesian Ministry of Agriculture

The palm oil estate and industry a key industry for the economy of Indonesia, where palm oil exports is an important of foreign exchange and the industry provide employment opportunity for millions of Indonesia people. Nearly 70% of oil palm plantations located in Sumatera, where this industry started since the Duch colonial era. Most of the rest about 30% were on the Borneo island.

One of the largest capital market in Indonesia is the Indonesia Stock Exchange based in Jakarta. The stock exchange is an institution that organizes and provides the facility to bring the system of sale and purchase security between various companies were listed (Darmadji, 2001: 17). Following the current national economic conditions, so that have to impact to Indonesia agricultural companies sector. One is dominated plantation of palm oil have to productive cycle until 25 years and supported by derivatives product as Crude Palm Oil (CPO).

But the production level progress and the CPO exports is not line with progress of return on share generated by palm oil plantation listed on the Indonesia Stock Exchange. The return on share continue to decline form the years of 2009 until 2015.



Source : https://finance.yahoo.com – data processed

Figure 1. Return on share of Agricultural Sector Company In Indonesia Stock Exchange Years of 2009-2015

It has become a very interesting gap to further study, in with production and export sales increasing, precisely palm oil plantation stock in Indonesia Stock Exchange suffered a decline of return as a significant or with decline trend, showed in the dotted diagonal decline lines.

The above condition indicate that the investment planned advance on the Indonesia Stock Exchange depends on several factors and one of them is Indonesian economics. In bullish market condition, company investment and expansion will be excited however in bearish market condition, then companies investment and expansion to be in the duldrums (Jones, 1998).

Business cycle is the cumination of a cyclical change of macro economics power in the economy. The same forces are responsible for the fundamental changes to stock price influence. Is not surpricing that research on equity valuation conducted by Joehnkand Petty, 1980; Moore, 1983; Chen, Roll and Ross, 1986; Eun and Senbet, 1986; and Schwert, 1990) found a positive relationshop and significant statistically between stock price and economic condition.

As in known in previous research journal (Hutauruk, Mintarti dan Paminto, 2014) studies proposed that agricultural companies sectors have risk level (beta) as negative impacts and significants to return on shares on agricultural company in Indonesia Stock Exchange. The condition shows that the agricultural company in Indonesia Stock Exchange has defensive stock type or slowly moving. Thus dimishing the return on share indicate the economic condition have unstable condition in study period.

The risk factor in this case is standard of deviation and fundamental factors has Price to Book Value and are two important things and provide concrete evidence that they have significant effect to return on share in agricultural company on Indonesia Stock Exchange.

Statistics state that the standard of deviation is a characteristic of the population. Standard deviation is things want to know by various parties to be used as a decision making or to be continue the work with the parameters.

Markowitz (1952) states that the size of the risk to investment is standard deviation or varians, were the varians is the square of standard deviation. Viewed form the movement, risk is a concept to grasp, and has been much controversy surrounding the efforts to define and measure, but there is one common definition and able to meet a lot of interest, which in expressed in relation with probability distribution. The tighter probability distribution of expected returns in the future, the less risk of such investments.

"Impact Risk and Return-In general, the lower (less positive and more negative) the correlation between asset returns, the greater the potential diversification of risk. For each pair of assets, there is combination that will result in the lowest risk (standard deviation) pssible" Gitman and Joehnk (2008: 217). In this case CAPM theory by Markowitz (1952) reused, where with segregation of assets in portfolio will further enlarge return and to minimize the risk.

"A measure of the specific firm's risk profile compared to that of the total equity market. It measures the degree to which returns on the specific share have moved in unison with the overall market. Its normal range is from 0.5 (low risk) to 1.5 (high risk), with the value 1.0 indicating that its risk profile is identical to that of the total market" Walsh (2006: 280). Using a sliding scale or classify to predicting high-low risk in to measuring the return will be earned.

Similarly, the market ratio or price to book value, which in this ratio will reveal if the higher price to book value it will show stock price more expensive. "Investment value is probably the most important measure for a stockholder. It indicates the worth investors place on the stock – in effet, what they think the stock should be trading for. Determining a security's investment value is a complex process based on expectations of the return and risk characteristics of a stock" (Gitman and Joehnk, 2008: 269). In this case, market value or stock price will also determine the rate of return and risk that will get investors of shares. This phenomenon certainly is very intersting to be further examined in terms of understanding and measuring the risk impact and the stock price level in ablility to get a good return and investors expected.

# LITERATURE REVIEW

Risk is the level of potential losses due to the acquisition of the expected investment results are not in line with expectations. Therefore, investors on capital market should be aware seriously that theoretically every investment should be aware there is a possible risk and losses. Furthermore, it should be understood by the investors that have strong and significant relationship between expected rate of return with risk level. High Return High Risk dan Low Return Low Risk. Interest of investors in investing is to maximize return without ignoring factors that must faced. The size of the risk of an investment will vary between any investment, where it is caused about different of characteristic place or the price reaction on investment may arise.

"Risk as the uncertainly about the actual return that will be earned on an investment" (Jones, 2004: 9). And then submitted "Risk can be defined as the chance that actual investment returns will differ from those expected" (Gitman, 2004: 4). "Risk the chance that an out come other than expected will occur" (Scott, et al., 2000: 182). "Risk can be defined as the chance that some unfavorable even will occur" (Brigham, et al., 1999: 102). Based on the opinion it can be concluded that the risk is the chance that will be earned in the future.

#### Influence of Risk to Return on Shares

Bodie and Marcus (2008: 262) states that investment opportunity are always accompanied by the risk factors that are comparable to those opportunity. Based on the definition and description can be concluded that the risk a possibility that consists a factors variety which may cause the return of funds invested in a particular investment instrument of in other words, factors cause to losses in an investment. The risk factor are generally in line with the return would be generated from investment.

Tandelilin (2003) in the scientific inaugural speech as professor of economic faculty of the University Gadjah Mada, entitled "Systematic Risk (Beta): Issues of Estimating And It's Application in Research and Practice". The contents of this study to investigate the relationship between risk with return, found that a positive excess return for the market is a positive relationship between beta and return, while a negative excess return for the market there is a negative relationship between risk and return.

Lau et al. (2002) in a research entitled "Stock returns and beta, firm size, E/P, CF/P, book-tomarket, and sales growth: evidence form Singapore and Malaysia", concludes that Price Earning Ratio have a negative influence to return on share on companies a listed on *Stock Exchange of Singapore* (SAS) and Kuala Lumpur Stock Exchange (KLSE). This study concluded that there is a positive relationship between beta and return stock in monthly period with positive market excess return and negative relationship between beta and return on shares during the period with negative market excess return. In this case, the visible effect of systematic risk on stock returns in Singapore and Malaysia is a significant positive and negative depending on the conditions of market excess return can also be positive and negative.

Fama and Macbeth (1973) conclude in their study that the risk and the return have significant influence in New York Stock Exchange and this reflects the magnitude of risk owned by every investor on the expected return. Al-Rjoub and Azzam (2012) state that the systematic risk has significant influence to the stock return and this also illustrates that the economic crisis has occurred, in which the sensitivity of both factor is high.

#### Influence Market Value to Return on Shares

Brigham and Ehrhadrt (2002: 10) state The shareholders are showing ownership of a company, while the manager is a trusted party to be able to run their respective companies. As a consequence of that relationship, the main objectives of management are stockholder wealth maximation, which operationalized as maximing the price of the firm's common stock. Based on these factors management to make a set of strategic policy decisions. The policy decisions along with other external factors, namely the share price was also affected by other external factors, namely capital market conditions. One element that affects the condition of the capital markets is the interest of investors in the shares in question so directly affect the market price of the stock.

Gitman and Joehnk (2008: 269) state: "Investment value is probably the most important measure for a stockholder. It indicates the worth investors place on the stock – in effet, what they think the stock should be trading for. Determining a security's investment value is a complex process based on expectations of the return and risk characteristics of a stock".

Financial ratios may assist investors in decision making and predict the performance of the company in the future. It can also provide an early warning about the financial condition of

the company's overall (Ohlson, 1980). The financial conditions will be able to also predict the condition of the stock portfolio, which in this case is devoted to the systematic risk and stock return.

Dita and Murtaqi (2014) in the studi to conclution price to book value have a negative and significant influence to stock return on the manufacture company listed on the Indonesia Stock Exchange. Alexakis, *et al.* (2010) presents the findings of empirical, where Price to Book Value (PBV) have a positive and significant influence to stock return in Greek stock market emerging.

Penman *et al.* (2006) in they study with title "The Book-to-Price Effect in Stock Returns: Accounting for Leverage", found that book to price derived from accounting book value and to articulate exactly how the book value of shares can absorb the leverage. The empirical analysis shows that the ratio of the company's market showed a positive, but the subsequent stock returns conditional on a price to book of companies, parts book to price leverage is negatively correlated with stock returns in the future.

Aras and Yilmaz (2008) in their empirical "Price-Earnings Ratio, Dividend Yield, And Market-To-Book Ratio To Predict Return On Stock Market: Evidence from The Emerging Markets", finding declare that the financial ratio consisting (Price to Book Value) are considered to be able to predict the return on shares in the future and useful in making the decesion for investment.

# METHODOLOGY

The diversity of research in the relationship between risk, the stock market value and stock returns encourage further research. This study will discuss relationship using data from the Indonesia Stock Exchange Agricultural sector in particular. The hypothesis to be tested is

H1: Risk (standard deviation) and market value (price to book value) as simultaneous influence to return on share

H2: Risk (standard deviation) and market value (price to book value) as partially influence to return on share

This study uses linear regression modeling to study the effects of several factors on stock return and implementation with IBM SPSS Version 23 software.

The modeling in this study can be used are:

 $Y = a + bX_1 + bX_2 + e$ 

Where:

Y	= Return on Share
a	= Constant
b	= regression coefficients
$X_1$	= Standard Deviation
X <sub>2</sub>	= Price to Book Value
e	= Error factor
Significance	= 5%

# Model

Modeling in this study can be described as follows:



Figure 3. The Proposed Study

The independent variable is Risk (SD) or  $X_1$  symbol and Market Value (PBV) or X2 symbol, while functioning as the dependent variable is a Stock Return with Y symbol.

#### **Population and Sample**

This study using primary data derived form the financial statements, including statements of financial position and statement of comprehensive income agricultural companies in the Indonesia Stock Exchange. Stock price composite index and clossing stock price pf each company in the agricultural sector. In addition, other sources include tex book, newspaper, relevant website, Journals used to review the theoretical framework of previous researcher.

The population in this study is all companies that exist in the agricultural sub-sector on the Indonesia Stock Exchange. While the sample is determined by the company's oil palm plantations and CPO mills which have been selected by purposive sampling.

In the selection of the sample, while the predetermined criteria as follows:

- i. The company is a sub-sector including oil palm plantations and palm oil mills
- ii. The company's shares have been active in trade during the period 2009-2015
- iii. The Company has published its financial statements in full during the period from 2009 to 2015 in the annual period (audited).
- iv. The book year ending December 31<sup>th</sup>.
- v. The company doest not have a negative capital

Sampling purposively with the criteria specified above resulted in seven (7) companies in the sample. The data used for the analysis is related to the company agriculture or plantation subsector for the period of 7 (seven) years (2009-2015). Thus, the data generated (n) as many as 49 of panel data. After classifying independent and dependent variables, the next step is to process the data with an appropriate model. The significance of some of the explanatory variables were tested by calculating the F and t. To determine the proportion of the variation described in the dependent variable, the coefficient of determination ( $\mathbb{R}^2$ ) will be analyzed.

# OUTPUTS

The correlation coefficient and coefficient of determination can be presented in the output of R and  $R^2$  in the following table:

Table 3. Regression						
Model Summary						
Model	R	R Square	Adjustment R Square	Std. Error of the Estimate		
1 .465 <sup>a</sup> .216 .182 .560						
a. Predictors: (Constant), PBV, SD						

b. Dependend Variable: Stock Return

Based on the results of the regression analysis, it can be seen that the degree of influence between SD and PBV simultaneously on Stock Return is equal to 0.465 or reached 46.5% and classified into a category that is moderate. While the degree of influence is equal to 0.216 or reached 21.6%, showing there are still 79.4% of other factors outside of the study and also error factors that also affect stock return

#### **Hypothesis Testing**

Regression analysis output to show influence both simultaneously and partually from SD and PBV to Stock Return.

Multiple linear regression test (simultaneous) where testing to determine significant or not the regression coefficient  $(b_{1,2})$ . Standard Deviation and Price to Book Value simultaneously on Stock Return, which is outlined in Table 4 as bellow:

	ANOVA <sup>b</sup>						
	Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	3.994	2	1.997	6.350	0.004 <sup>b</sup>	
	Residual	14.466	46	.314			
	Total	18.460	48				
	a. Predictors: (Constant), PBV, SD						
	b Dependend Variable: Stock Return						

Table 4. Analysis of Variance

In Table 4 shows that the Standard Deviation and Price to Book Value simultaneously exhibited significantly affect the Stock Return. It is seen from the value of F count > F table or 6.350 > 3.200, or with the Sig. < 0.05 or 0.004 < 0.05, which indicates a significant effect as simultaneously.

Linear regression testing as partially between Standard Deviation and Price to Book Value to Stock Return and describe in Tabel 5 as bellow:

	Table 5. Coefficients						
		Unstar Coet	ndardized fficients	Standardized Coefficients			
	Model	В	Std.Error	Beta	t	Sig.	
1	(Constant)	.630	.155		4.075	.000	
	SD	865	.429	264	-2.019	.049	
	PBV	167	.058	373	-2.854	.006	

The results of the analysis in Table 5 shows that the value of t count SD is -2.019 and PBV is -2.854, and both > of the value t table of -0.680. It shows that the Standard Deviation and Price to Book Value partially affect the Sock Return. Supported also by the Sig. Standard Deviation of 0.049 and Price to Book Value amounted to 0,006 and both are < than 0.05 or showed partial effect significantly to Stock Return.

While the correlation analysis to determine the level of association or relationship that occurs between the independent variables Standard Deviation and Price to Book Value of the Stock Return, both simultaneously and partially. Analysis can be partially shown in Table 6 as follows:

Taber 0. Correlation Test				
		SD	PBV	
Pearson Correlation	SD	1.000	0.040	
	PBV	0.040	1.000	
Sig. (1-tailed)	SD	•	.392	
	PBV	.392		
Ν	SD	49	49	
	PBV	49	49	

Fahel 6	Correlation	Test	
I abei u.	Correlation	1631	

Base on the Table 6 can be known that the correlation coefficient Standard Deviation and Price to Book Value is equal 0.040 and significance = 0.392 or 39.2% and in this case is > 5%, then the relationship Standard Deviation and Price to Book Value is not significant. The relationship is relatively weak and that relationship is unidirectional positively.

However, the correlation between Standard Deviation and Price to Book Value of the Stock Return simultaneously (R) is equal to 0465, or 46.5%, and the relationship is moderate and positive. The two independent variables are able to explain the relationship with stock return. While the level of significance of the relationship Standard Deviation and Price to Book Value of the Stock Return is significantly supported by the significant value of the F count is 0.004, or 0.4%, or still below of < 5%.

In the classic assumption test using autocorrelation test showed the following:

<b>Fable</b> (	<b>6.</b> /	Autocorre	lation	Test
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Model	Cha	nge Statistics	Durhin-Watson
Df2		Sif. F Change	- Durom-watson
1	46	.004	1.770

Testing autocorrelation with the Durbin-Watson method, in which the Durbin-Watson value amounted to 1,770. Meanwhile, DW table with signikansi of 0.05 and the number of data (n) = 49, and k = 2, the value dl at 1.4564 and the value du of 1.6257. By this the importance of the four-du = 4 to 1.6257 = 2.3743. Because the value of DW (1,770) are in the area and the fourth du-du (du <dw <4 - du), then Ho is accepted or not autocorrelation in the regression model.

# Simultaneously Influence of Standard Deviation and Price to Book Value to Stock Return

The analysis showed that the Standard Deviation and Price to Book Value influence on Stock Return simultaneously. The study is in line with the results of a study conducted by Gitman and Joehnk (2008: 268), which suggests that the market value generally is the stock market Price.

The analysis showed that the Standard Deviation and Price to Book Value influence to Stock Return simultaneously. The study is in line with the results of a study by Gitman and Joehnk (2008: 268), which suggests that the market value generally is the stock market price.

Thus the market value shows how the behavior of the overall market has been assessed and reflected into shares. The condition also must be coupled with the level of risk attached to the relevant shares. The size of the risk is certainly an impact on the market price formation and ultimately have a significant impact on stock returns. The market value is one simple way to determine the price of shares. Thus the market value shows how the behavior of the overall market has been assessed and reflected into shares. The condition also must be coupled with the level of risk attached to the relevant shares. It is generally a simple way to determine the market value. In essence, the market value indicates that the market followers have all been reviewing the price of each stock and determine their appreciation in shares of investment funds or stock purchase.

Investors should be able in owning and buying shares of companies that have sound fundamentals and does not have the blue chips or large-cap companies, but the company must be transparent, and healthy in its financial statements. Shares of the company healthy in general have a price movement that follows the trend and not random. The volume of transactions was visible and thus investors will be able to avoid the risk of liquidation (May, 2014: 107).

In line with the theory of Sharpe (1964) and continued with Mossin (1965) and Lintner (1966), in the famous journal three academics state that asset prices dipengeruhi by risk assets. Risks presented is a risk that has been associated with your market fluctuations.

# Partially Influence of Standar Deviasi to Stock Return

Gitman and Joehnk (2008: 217) on they are statement "Impact Risk and Return - In general, the lower (less positive and more negative) the correlation between asset returns, the greater the potential diversification of risk. For each pair of assets, there is combination that will result in the lowest risk (standard deviation) possible". In this case the CAPM theory proposed by Markowitz (1952) reuse that by breaking into their portfolio of assets will further increase the return and minimize risk.

Statistics states that the standard deviation is a characteristic of the population. Standard deviation is known by various parties want to be used as decision or continue work in that size. Markowitz (1952) states that the size of the risk to the investment is the standard deviation or variance in which the variance is the square of the standard deviation.

Risk is a difficult concept to grasp, and has been much controversy surrounding the efforts to define and measure, but there is one common definition, and able to meet a lot of interest, expressed in relation to the distribution probability. The tighter the probability distribution of expected returns in the future, the less the risk of such investments.

Risk is defined as the magnitude of the results obtained with the expected value of the results obtained. It is if it is associated with a standard deviation then these risks have the same concept. The standard deviation is defined: the difference between of the original averaging,

where the standard deviation is the root of the variance. The average is equal to the expected value disimbol with E(X) where X is a variable that is under discussion.

Tandelilin (2003) in the scientific inaugural speech as professor of economic faculty of the University of Gadjah Mada, entitled "Systematic Risk (Beta): Issues of estimating And its Application in Research and Practice". The contents of this study to investigate the relationship between Beta to return, found that a positive excess return for the market is a positive relationship between beta and return, while a negative excess return for the market there is a negative relationship between beta and return.

Then Amanda and Pratomo (2013) conducted a study entitled "Systematic Risk Analysis fudamental And On The Stock Market Banking Listed in Indonesia Stock Exchange". The results of this study found that Beta significant negative effect on stock prices in the six banks listed on LQ 45. This shows because Beta is a measure of risk, then surely investors will choose stocks that have a high enough resistance to changes in in the market. Any changes in the value of risk is very important information for investors in the decision to invest.

The results are consistent also with some of these opinions, where the risk of a negative influence on stock return. This conditions shows that there has been a market return is negative excess causing negative relationship between risk and return stock. This study is supported also that the palm oil plantation companies shares have a tendency to move slowly because of the steady demand either in a bullish or bearish. But in this case because of the risk factor is too sensitive to stock return, it can be seen that there has been a tendency economic crisis or bearish.

#### Partially Influence of Price to Book Value to Stock Return

Jones (2004: 304) states that in the analysis of stock valuation, investors can make a fundamental analysis on a "top down" to assess the company's prospects. Based on this analysis model, the first step that must be done is to do an analysis of the macro-economic factors that affect the performance of the entire company.

Lau *et al.* (2002) in the study entitled "Stock returns and beta, firm size, E/P, CF/P, book-tomarket, and sales growth: evidence form Singapore and Malaysia", concluded that PBV negative effect to Stock Return on companies listed on the Stock Exchange of Singapore (SAS) and the Kuala Lumpur Stock Exchange (KLSE). This study drew the conclusion that there is a positive relationship between Beta and stock returns over a period of months with a market excess return of positive market and a negative relationship between Beta and stock returns during the period, with a market excess return is negative. In this case, the visible effect of systematic risk on stock returns in Singapore and Malaysia is a significant and positive and negative depending on the conditions of market excess return can also be positive and negative.

In line with the study results and Murtaqi Dita (2014) where Price to Book Value a significant negative effect on the Stock Return on manufacturing companies listed in Indonesia Stock Exchange. Alxakis, et al. (2010) presents the findings of empirical, where Price Earning Ratio (PER) and Price to Book Value (PBV) positive and significant impact on stock return in the Greek stock market that is growing. According to Antara and Lestari (2008) micro factors which consists of Earning Per Share (EPS) and Price Earning Ratio (PER) have a significant effect on stock returns and should receive better attention.

Penman et al. (2006) conducted a study entitled "The Book-to-Price Effect in Stock Returns: Accounting for Leverage". In this study megemukakan that book to price derived from the accounting book value and articulate exactly how the book value of shares can absorb leverage. The empirical analysis shows that the ratio of the company's market showed a positive, but the subsequent stock returns conditional on a price to book of companies, parts book to price leverage is negatively correlated with stock returns in the future

Aras and Yilmaz (2008) conducted a study entitled "Price-Earnings Ratio, Dividend Yield, And Market-To-Book Ratio To Predict Return On Stock Market: Evidence from the Emerging Markets". The results of this study concluded that the existence of the ratio of the market is to reveal significant results in terms of predicting stock returns in the short term for developing countries.

The study is in line with some of the opinions that have been put forward, where PBV a significant negative effect on stock returns. This condition shows also bring the plantation company's stock price on the Indoensia Stock Exchange tend to be expensive whereas the types of stocks in the plantation sector are thus increasingly making defensive stock return is getting smaller. It can also be an indicator that the condition of the market is bearish.

# CONCLUTION

The results of the analysis in the equation model of linear regression that has been done to conclude that the risk in this case Standard Deviation (SD) and Price to Book Value (PBV) a significant negative effect on the Stock Return either simultaneously or partially. In this case the PBV is more dominant than the SD of the Stock Return. This condition also shows that the risk and the agricultural company's stock price is inversely proportional to the stock return.

The higher the risk the lower the stock return. The risks referred to number of investments made by investors to buy stocks. While agriculture is the company's stock or the stock of a defensive nature slow rotation. This is because CPO sold by the company is part of a component maker cooking oil and quite a lot of derivative products to support the manufacture of products other consumer needs. Thus the society demand for goods of basic needs will be stable and the conditions that make requests or share price movements agriculture is slow. This means that with the slow movement of stock prices will increasingly pose a higher risk.

The effect of PBV or expensiveness level company share price on agriculture shows that high prices will lead to low returns. This is due to the consequences of a stock company selling garden produce and the CPO defensive nature then if the stock price of the more expensive it will be the less demand and ultimately the level of returns would be lower.

Thus, in bearish conditions agricultural company shares the risk will be higher and the stock price of this company will be in demand by masyarakata is relatively low prices due to the economic conditions and declining consumer purchasing power.

This study is a new proof of the company's shares of agriculture on the Stock Exchange, where the risk factors and the level of stock prices (expensive or cheap) is to be inversely during the period 2009-2015 and shows also in the period in which the trend of stock returns are decreasing continuously while risk and share price increased and this indicates bearish conditions or economic recession. So this study can predict the stock return as a reflection also for economic conditions in Indonesia that are declining.

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