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RESEARCH ARTICLE / ARAŞTIRMA MAKALESİ

The influence of leverage, tax planning, and company size on stock return with investment risk as a moderating variable

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Abstract

This study explores the effect of leverage, tax planning and firm size on stock returns with investment risk as a moderating variable. The research method used is causal quantitative. The population in this study is the consumption industry sector companies indexed on the Indonesia Stock Exchange for the period 2015 to 2019. The sampling technique using the purpose sampling method obtained 100 samples. The data analysis of this study used a partial least squares structural equation modeling (PLS-SEM) approach with Smart PLS 3.3. The results showed that leverage, tax planning and firm size had no significant effect on stock returns. Investment risk is not able to moderate the effect of leverage, tax planning and firm size on stock returns.

Keywords: leverage, tax planning, firm size, stock return, investment risk.

Jel codes: G32, H26, L25, G14, E22

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1. INTRODUCTION

The amount of stock return is influenced by technical and fundamental information. This data is used by companies and stakeholders to estimate returns, risks, and other variables related to stock movements in the capital market. The consumption industry sector is attractive, has potential, and is very promising for investment in it, but it is quite worrying because this sector is difficult to predict and is heavily influenced by the country's economic situation.

Phenomena regarding returns include the return of the consumer sector index on the IDX during 2018 of -14% due to selling pressure from foreign investors. This return is lower than the decline in JCI by 8.4% and is the lowest return in the last ten years. Other causes are Indonesia's macro economy is not enthusiastic, elections, retail sector sales have not recovered (Widowati, 2018). IHSG yields on a monthly basis in the third quarter of the last 10 years (2010-2019). As a result, the JCI recorded seven corrections and strengthened only three times, due to the Hong Kong economic recession and the release of domestic economic growth which fell in the third quarter of 2019 (Kevin, 2019).

Furthermore, the phenomenon of risk is a problem experienced PT. Asuransi Jiwasraya was unable to pay investors' claims because the company did not get a return on its investment assets. The reason is the change in profit which is indicated by an increase in premium reserves, the management of financial portfolios with high risk to obtain high returns is not directly proportional to the assets of large companies and does not necessarily promise large profits resulting in default on returns (Alijoyo, 2021). Then the ratification of PSAK 74 which is the adoption of IFRS 17 concerning Insurance Contracts. This rule will make the financial statements of insurance companies more competitive with other industries. Because it requires proper separation between the income generated by the insurance business with the income from investment activities and this will reduce profit manipulation. so that stakeholders will get transparent financial reports (IAI, 2020).

Among the studies that discuss stock returns include; Research on the relationship between leverage and stock returns was conducted (Budiharjo, 2018) that leverage has an insignificant positive effect on stock returns. In contrast to the results conducted by (Muradoğlu and Sivaprasad, 2014), (Abdullah, 2015), (Adiwibowo, 2018), (Aharon and Yagil, 2019) states that leverage has a significant impact on stock returns.

Furthermore, the relationship between tax planning and stock returns done (Sri Ayem and Nurasjati, 2020) that tax planning has no significant impact on stock returns. In contrast to the results obtained by (Igbinovia and Ekwueme, 2018), (Ogneva, 2015) states that tax planning has a significant effect on stock returns.

Then the impact of company size on stock returns (Adiwibowo, 2018) and (Duy and Huu Phuoc, 2016) reported that investors do not take into account the size of the assets owned by the entity when making investments. Contrary to what was written by (Adawiyah and Setiyawati, 2019), (Surjandari, et al, 2020) states that the size of the company has a significant effect on stock returns.

Furthermore, the relationship between leverage, investment risk and stock returns was investigated by (Hussan, 2016) and (Gunarathna, 2016) , explains that there is an impact of leverage on risk and return where financial leverage is positively correlated with financial risk. Then research results (Laham, 2013) and (Komariah, et al, 2011) found that stock *return* has a positive effect on investment risk which is in line with the principles of financial portfolios, namely high risk, high return and vice versa. In addition, investment risk is also influenced by leverage. Contrary with result (Januardi and Afrianto, 2017), (Jerico and Utami, 2021) states that capital structure and leverage do not affect investment risk, so capital structure cannot explain risk.

Then the relationship between tax planning, risk and return is carried out by (Firmansyah and Muliana, 2018) stated that tax planning does not influence company risk. Different from (Komariah, et al, 2011) in his research mentions that return has a significant effect on risk. (Pramudya, 2016) stated that tax planning on stock returns and its effect is a positive influence.

Then relationship between firm size, risk and return written by (Agustin, et al, 2019) *Company Size has a negative and insignificant effect on Returns and Risk.* Contrary to result (Pais and Stork, 2013), (Laeven, et al, 2016) company size has an impact on the risk and return of shares.

Referring to the above phenomenon and previous research on what factors can influence stock returns, a study of stock returns is important because it provides economic benefits for shareholders, and contributes to development for industry and the country. Theoretically, stock returns are influenced by many variables, but the following 4 variables are found to be inconsistent with the results of previous studies, namely leverage, tax planning, and company size. This study also wants to know how investment risk can moderate these variables.

2. LITERATURE REVIEW

2.1. Agency Theory

Agency theory is a field of game theory that studies the design of contracts that motivates rational agents to act on behalf of principals when the interests of agents conflict with those of principals. (Scott, 2015). Companies relationships real between (1) shareholders and creditors, (2) owners / managers (and external owners (who do not have control)), and (3) external shareholders and hired managers (Brigham and Ehrhardt, 2017).

2.2. Leverage

According to (Brigham and Ehrhardt, 2017) leverage is the extent to which bonds (debt and preferred stock) and income securities are used in capitalization. According to (Fahmi, 2014) explained that the Debt to Equity Ratio is a ratio to determine the amount of collateral available to creditors, the formula is total debt divided by total capital.

2.3. Tax Planning

Tax planningis an attempt by business actors to take advantage of various weaknesses in tax regulations, so that business actors canreduce tax payments as little as possible (Pohan, 2015). Measurement of Tax Planning using tax avoidance. according to (Aronmwan and Okafor, 2019) tax avoidance as a reduction in explicit tax, also as a continuum of less tax aggressive practice on the left-hand side (an example are tax-favored activities such as the purchase of bond) and the most aggressive on the right (an example is a tax shelters). Measurement of tax avoidance used is Effective Tax Rate, To compute the effective tax rate, total tax expense is divided by earnings before tax (Rist, et al, 2015).

2.4. Company Size

The size of the company is indicated by total profit, total sales, total assets, tax expense, and others (Brigham and Ehrhardt, 2017). This study uses the company's total assets for the current year as a proxy which is measured using the natural logarithm (Jogiyanto, 2016).

2.5. Stock returns

According to (Horne and Wachowicz, 2012) Return is the return on investment plus changes in market prices. Return on shares is income earned from investing activities. The proxy used is capital gain (loss) which is the difference between the stock price in the current period and the stock price in the previous period or is called the realized return (Jogiyanto, 2016).

2.6. Investment Risk

Risk is the difference between the return and the expected rate of return (Keown et al., 2018). According to PSAK 74 Risk is a change that may occur in several variables such as exchange rates, interest rates, raw material prices, credit indexes, types of prices and other variables in the future (IAI, 2020)**.** investment risk can be calculated by the standard deviation of the deviation of the realized return with the expected return (Sugiyono, 2014).

2.7. Hypothesis Development

2.7.1. Effect of leverage on stock returns

Leverage is the extent to which debt is used in capital (Brigham and Ehrhardt, 2017). Leverage can be measured by total debt divided by total capital (Fahmi, 2014). The use of leverage for the right investment activities will provide positive profits and returns in the future. Highly leveraged entities are highly dependent on indebtedness to third parties to finance their assets. The higher the proportion of leverage, the greater the

creditor's control over management activities, thus encouraging the company to regulate profits in order to avoid bankruptcy (Surjandari, et al, 2020). The increase in leverage will have an impact on the high risk of the stock, so that investors will want a greater return. This is in line with the theory of high risk - high return. (Budiharjo, 2018) reports that leverage has an insignificant positive effect on stock returns. In contrast to the results conducted by (Muradoğlu and Sivaprasad, 2014), (Abdullah, 2015), (Adiwibowo, 2018), (Aharon and Yagil, 2019) which state that leverage has a significant impact on stock returns. Based on these data, the hypothesis is:

H1: Leverage affects stock returns

2.7.2. The effect of tax planning on stock returns

Tax planning is a company action that always tries to reduce tax payments as small as possible, because the characteristics of management want the achievement of maximum profit with minimal costs (Pohan, 2015). One method to measure planning is tax avoidance (Aronmwan and Okafor, 2019). The better the corporate tax planning, the higher the return on company stock. The results conducted by (Sri Ayem and Nurasjati, 2020) that tax planning does not have a significant impact on stock returns. In contrast to the results obtained by (Igbinovia and Ekwueme, 2018), (Ogneva, 2015) states that tax planning has a significant effect on stock returns. Based on this research, the proposed hypothesis is as follows:

H2: Tax planning has an effect on stock returns

2.7.3. The Effect of Company Size on Stock Return

Company size is indicated by total profit, total sales, total assets, tax expense, and others (Brigham and Ehrhardt, 2017). Firm size can be measured using the natural logarithm (Jogiyanto, 2016). Large companies have great resources in terms of assets and sales. There is no doubt that the company excels in terms of wealth and maximum performance. This is illustrated by the number of operational activities and the increasing income generated by the company. This will have a positive impact on profits and of course this will provide high stock returns to shareholders. (Adiwibowo, 2018), (Suciati, 2018) and (Duy and Huu Phuoc, 2016) report that company size has no impact on stock returns, that investors do not take into account the size of the assets owned by the entity when making investments. Contrary to what was written by (Adawiyah and Setiyawati, 2019), (Surjandari, et al, 2020) states that the size of the company has a significant effect on stock returns. The larger the size of the company it will increase the return. According to the results, the hypothesis will run as follows:

H3: Firm size affects stock returns

2.7.4. Investment risk moderates the effect of leverage on stock returns

Risk is the difference between the return and the expected rate of return (Keown et al., 2018). In the capital structure, Pecking order theory states that companies prefer internal sources first over third parties. The use of leverage for the right investment activities will provide positive profits and returns in the future. On the other hand, debt increases, the company's risk also increases because it will face the risk of default and end up with asset confiscation and bankruptcy. An increase in leverage will make the risk higher, so shareholders will demand a greater return. A high return will be accompanied by a high risk as well.

Various investment risk studies are treated as control or moderating variables.(Hussan, 2016), (Gunarathna, 2016), in his research explains that there is an impact of leverage on risk and return where financial leverage is positively correlated with financial risk. Research result (Laham, 2013) systematic risk is measured by beta coefficient (β and (Komariah, et al, 2011) found that stock returns have a significant effect on investment risk. In addition, investment risk is also influenced by leverage. Contrary to the results (Januardi and Afrianto, 2017), (Jerico and Utami, 2021) stated that capital structure and leverage do not affect investment risk, so capital structure cannot explain risk.Based on this premise, the hypothesis is:

H4: Investment risk moderates the effect of leverage on stock returns

2.7.5. Investment risk moderates the effect of tax planning on stock returns

According to PSAK 74 Risk is a change that may occur in several variables in the future (IAI, 2020). Tax planning actions to reduce the amount of tax to be paid, exploiting the weakness of a country's tax provisions (Pohan, 2015). One way to reduce transparency is by segregating information or manipulating earnings. But such actions can increase the company's risk if interpreted as an act of non-compliance, the company will bear a higher tax burden as well as lawsuits that cause the company's risk in the future. In agency theory, the scheme does not meet the expectations of stakeholders, especially shareholders. The relationship between tax planning, risk and return carried out by (Firmansyah and Muliana, 2018) states that tax planning does not affect the company's risk. In contrast to (Komariah, et al, 2011) in his research, it states that return has a significant effect on risk. (Pramudya, 2016) stated that tax planning on stock returns and its effect is a positive influence.The better the tax planning, the higher the risk, which means the level of uncertainty in the returns that will be obtained will also be higher. High risk will go hand in hand with high returns. Based on these data, the hypothesis:

H5: Investment risk moderates the effect of tax planning on stock returns

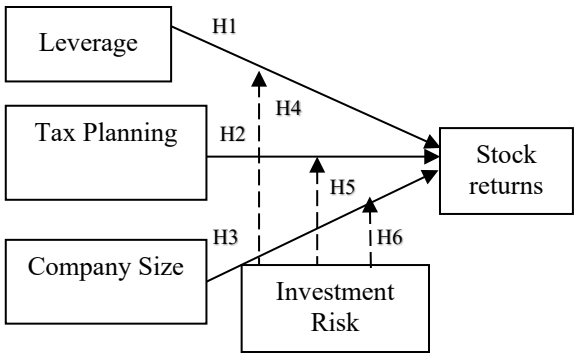
2.7.6. Investment risk moderates the effect of firm size on stock returns

In various studies, investment risk is treated as a control or moderating variable. Investment risk can be calculated by the standard deviation of the deviation of the realized return with the expected return. (Sugiyono, 2014). Companies with large assets have good prospects in the future because they are stable in generating profits and are better able to avoid the risk of default. The size of the company itself is a risk factor, large companies that have poor performance and low capital with high debt levels have a big risk. The amount of income earned by the company will have a positive impact on profits and will certainly provide a large return to shareholders. The relationship between firm size, risk and return was written by (Agustin, et al, 2019) company size to risk is negative and insignificant to risk and return. Contrary to the results (Pais and Stork, 2013), (Laeven, et al, 2016) firm size has an impact on stock risk and return. The larger the size of the company, the higher the risk of the company, which means that the return obtained will be higher as well. From previous research and theory, the hypothesis is:

H6: Investment risk moderates the effect of firm size on stock returns

Based on the literature review and previous research, the theoretical framework model can be described as follows:

Figure 1. Thought Framework Model



3. RESEARCH METHODS

The research method used is causal quantitative by taking secondary data from Indonesia Stock Exchange (IDX). The reason for taking data at IDX is because it is a credible financial institution and provides the necessary data. This study chose the consumer goods sector because this sector is the most able to survive during recessions and crises. Besides being a strategic sector, it can be seen from its consistent and significant contribution to gross domestic product in Indonesia. There are 63 consumer goods industrial companies indexed by the IDX in 2015-2019 as the population in this study. Purposive sampling method, used in sampling, the companies studied are those that meet the following criteria: a) able to list their shares on the main board b) have fully published their financial statements in the last 5 years c) listed on the IDX for more than 5 years d) the number of shares is more than 1 ,5 billion. So that the research sample obtained is 20 companies for 5 years with a total of 100 samples. Data analysis used partial least squares and structural equation modeling (PLS-SEM).

Table 1. Variable Operationalization and Variable Measurement

No	Variable	Dimension	Indicator	Measurement scale
1	*Leverage* (X1) (Fahmi, 2014)	Debt Ratio	$DER = \frac{Total\ Liabilities}{Total\ Shareholder's\ Equity}$	Ratio scale (1)
2	Tax Planning (X2) (Rist, et al, 2015)	Tax Avoidance	$ETR = \frac{Tax\ Expenses}{Pre\text{-}tax\ income}$	Ratio scale (2)
3	Company Size (X3) (Jogiyanto, 2016)	Total Asset	$Size = Ln\ Total\ Assets$	Ratio scale (3)
4	*Return* Shares (Y) (Jogiyanto, 2016)	*Return* Realization	$Rit = \frac{Pit - Pit\text{-}1}{Pit\text{-}1}$	Ratio scale (4)
5	Investment Risk (Z) (Sugiyono, 2014)	Standard deviation	$\sqrt{\frac{\sum(Rmti - \overline{Rmt})^2}{n-1}}$	Ratio scale (5)

Software used Smart PLS 3.3. The variables used are:

4. RESULTS AND DISCUSSION

4.1. Description of Research Object

1. Minimum Leverage value of-5.023 owned by PT. Bentoel Internasional, Tbk (RMBA) in 2015. And the maximum value2,909 owned by PT. Unilever Indonesia Tbk (UNVR) for the period of 2019. Average score 0.839 and the standard deviation of 1,034. Shows that the average proportion of debt from total assets in consumption industry companies is not good, more than 83%.

2. Tax Planning explained that the lowest value-0.875 owned by PT. Bentoel Internasional, Tbk (RMBA) for the period of 2018. And the highest value is2.848 owned by PT. Nippon Indosari Corpindo Tbk (ROTI) in 2015. The mean 0.235 and the standard deviation of 0.402. Shows that an average of 5 years of tax planning in consumption industry companies has a relatively good distribution of percentage data, the value of ETR < 1.

3. Company size is explained that the minimum value is13,742 owned by PT. Tunas Baru Lampung Tbk (TBLA) period 2015. And the maximum value is18,385 owned by PT. Indofood Sukses Makmur Tbk (INDF) in 2018. Average score15,884 and the standard deviation of 1.31. The size of most consumption industry firms is on average the same size because of the small standard deviation.

4. The minimum value of Stock Return is-0.866 owned by PT Indofarma Tbk. (INAF) for the period of 2019. And the maximum value is 26,857 too owned by PT Indofarma Tbk. (INAF) 2016 period. Average score0.292 and a standard deviation of 2.695. With a mean of 0.292 shows that the average for the last 5 years stock returns of 15 companies are not good.

5. PT Tiga Pilar Sejahtera Food Tbk (AISA) has the lowest investment risk value of 0.000 in 2019. PT Indofarma Tbk. (INAF) has the highest score of 1,700 in 2017. The average value is 0.320 and the standard deviation is 0.262. The mean value exceeds the standard deviation, indicating that the average investment risk in consumption industry companies for 5 years is not good.

Table 2. Descriptive Statistical Analysis

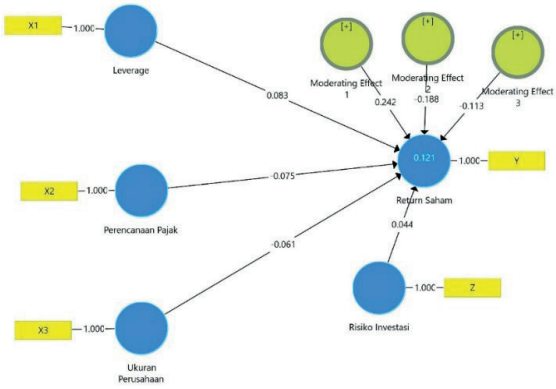
	mean	median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness
Leverage	0.839	0.671	-5.023	2,909	1.034	9.954	-1.898
Tax Planning	0.235	0.253	-0.875	2.848	0.402	18,936	2,702
Company Size	15,884	15,879	13,742	18,385	1.31	-1.025	0.192
Return Share	0.292	0.029	-0.866	26,857	2,695	96,273	9.726
Investment Risk	0.320	0.245	0.000	1.7	0.262	11.192	3.02

Source: Data processed with SmartPLS 3.3 (2021)

4.2. Structural Model Evaluation (Inner Model)

Due to secondary data research, a structural model evaluation was immediately carried out to determine the significance of the p-value (Ghozali and Latan, 2014). In testing the effect between variables, this study using Smart PLS 3.3 software does not require data to be normally distributed because it uses the bootstrapping method.

Figure 2. Structural Model (Inner Model)



Source: Data processed with SmartPLS 3.3 (2021)

The explanation for the fit size or criteria are:

a. The R2 value for each endogenous latent variable as the predictive power of the structural model is indicated by the R2 value < 0.70, < 0.45 and < 0.25 meaning that the model is strong, moderate and weak. (Ghozali and Latan, 2014).

Table 3. R-Square . Value

	R Square	R Square Adjusted
Stock returns	0.121	0.054

Source: Data processed with SmartPLS 3.3 (2021)

The value of R2 is 0.121, which means that the variance of the variables of leverage, tax planning, company size and investment risk is able to explain the variance of stock return variables of 12.1% while others of 87.9% are explained by other variables outside this model.

b. Effect size (F2) is used to determine the large proportion of the variance of exogenous variables to endogenous variables. The reference F2 values are 0.02, 0.15 and 0.35. This value means that the predictor of latent variables has a small, medium, and large effect on endogenous variables (Ghozali and Latan, 2014).

Table 4. Effect Size Test Results (f Square)

	Return	Influence
Leverage	0.007	Small
Moderation Effect 1	0.035	Small
Moderation Effect 2	0.014	Small
Moderate Effect 3	0.003	Small
Tax Planning	0.005	Small
Stock returns		
Investment Risk	0.001	Small
Company Size	0.003	Small

Source: Data processed with SmartPLS 3 (2021)

Referring to table 4.3 all the results show a value of 0.02 < 0.15 categorized that the variable leverage, tax planning, company size does not or small affect the stock return variable. While the Moderating Effect all results show a value of 0.02 < 0.15, it is categorized that the investment risk variable is not able to moderate the influence of leverage, tax planning, company size on stock returns.

c. Q2>0 means the model has predictive relevance, while the value Q2<0 means the model lacks predictive relevance, with the formula: Q2 = 1 – (1 – R12) (1 – R22) …. (1 – Rn2)(Hair, 2019). Where the value of R12, R22… Rn2 is the value of R2 of the endogenous variable in the model:

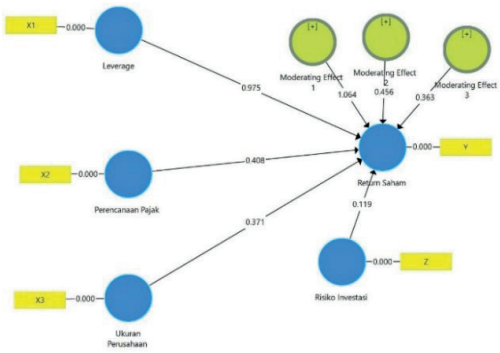
Q2 = 1 – (1 – 0.121) = 0.121

It can be interpreted that the model in this study has a relevant predictive value (Q2 > 0), where the model used can explain the information contained in the research data by 12.1%.

4.3. Hypothesis Test

In the PLS analysis to test the hypothesis, it is done by bootstrapping the sample to help overcome the problem of abnormal research data. The recommended P-values as an indicator of the adequacy of the model are with a significance level of 5%. (Ghozali and Latan, 2014). The result is:

Figure 3. Bootstrapping Method



Source: Data processed with SmartPLS 3.3 (2021)

The following is a complete explanation of the results of the hypothesis based on the table above:

a. The magnitude of the parameter coefficient*leverag e*0.083 means if *leverage* by 1 point increases, the return on shares also increases by 0.083. With a T-statistics value of 0.975 < 1.96 and a P-Values of 0.330 > 0.05. The result states that H1 is rejected, where *leverage* does not have a significant effect on *return* share.

b. The magnitude of the coefficient of the tax planning parameter -0.075 means that if the tax planning 1 point increases then *return* the stock also fell by -0.075. With a T-statistics value of 0.408 < 1.96 and a P-Values of 0.683 > 0.05. The results state that H2 is rejected, where tax planning has no significant effect on *return* share.

c. The magnitude of the parameter coefficient of the company size is 0.061, which means that if the size of the company increases by 1 point, then *return* shares also increased by 0.061. With a T-statistics value of 0.371 < 1.96 and a P-Values value of 0.711 > 0.05. The results state that H3 is rejected, where company size has no significant effect on *return* share.

d. the size leverage parameter coefficient 0.242, T-statistics value 1.064 < 1.96, significance value 0.288 > 0.05, it is stated that investment risk is not able to moderate the effect of leverage on stock returns, therefore hypothesis H4 is rejected.

e. the size the coefficient of the tax planning parameter is -0.113, the T-statistics value is 0.456 < 1.96, with a significance value of 0.649 > 0.05. It is stated that investment risk is not able to moderate the effect of tax planning on stock returns, therefore hypothesis H5 is rejected.

f. For stock returns, the magnitude of the parameter coefficient of firm size is -0.188, the value of T-statistics is 0.363 < 1.96 with a significance value of 0.717 > 0.05. It is stated that investment risk is not able to moderate the effect of firm size on stock returns, therefore hypothesis H6 rejected.

4.4. Discussion

4.4.1. Effect of Leverage on Stock Return

From the calculation of descriptive statistics obtained a high average leverage ratio. The proportion of liabilities of consumption industry companies is greater than their capital so that no significant results are obtained. The higher the leverage, the lower the return. Entities with high leverage show poor performance, because they have a large capital dependence on creditors which causes low stock prices because if they earn profits, they will be used to pay off their debts rather than share dividends. Consistent

Table 5. Results Path Coefficient (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Results	Decision
Leverage -> Stock Return	0.083	0.080	0.085	0.975	0.330	**Not significant**	**Rejected**
Moderating Effect 1 -> Stock Return	0.242	0.218	0.228	1.064	0.288	**Not significant**	**Rejected**
Moderating Effect 2 -> Stock Return	-0.188	-0.042	0.411	0.456	0.649	**Not significant**	**Rejected**
Moderating Effect 3 -> Stock Return	-0.113	-0.098	0.310	0.363	0.717	**Not significant**	**Rejected**
Tax Planning -> Stock Return	-0.075	0.013	0.183	0.408	0.683	**Not significant**	**Rejected**
Investment Risk -> Stock Return	0.044	0.181	0.367	0.119	0.906	**Not significant**	**Rejected**
Company Size -> Stock Return	-0.061	-0.001	0.164	0.371	0.711	**Not significant**	**Rejected**

Source: Data processed with SmartPLS 3.3 (2021),Significant at 5% level

with (Budiharjo, 2018) that leverage has a positive and insignificant impact on stock returns. Contrary to the results (Muradoğlu and Sivaprasad, 2014), (Abdullah, 2015), (Adiwibowo, 2018) stated that leverage has a significant effect on stock returns.

4.4.2. The Effect of Tax Planning on Stock Return

Based on statistical data and hypothesis testing, the average entity under study shows that tax planning has no significant effect on stock returns. This is possible due to indications of profit manipulation and agency problems, where companies report lower commercial profits so that the tax burden becomes smaller. But on the shareholder side this makes the profits and returns distributed are also low. The results of the study are in line with (Aronmwan and Okafor, 2019) in the calculation of ETR, income before tax may experience earnings manipulation by management, it is difficult to distinguish between tax avoidance and earnings management activities. In addition, when the profit before tax loss (negative), the calculation of the accounting ETR will be deducted, causing bias in calculations, inferences and misleading interpretations.

4.4.3. The Effect of Firm Size on Stock Return

From descriptive statistical data, information is obtained that the data do not vary, the distribution of data from the average company size is very small so it is not strong enough to encourage stock returns. So that the size of the company in the consumption industry is not a significant variable affecting stock returns. The larger the company with a lot of debt, the higher the costs and burdens borne by the company, this will lead to a decrease in profits and share returns that are distributed. Not all large companies can guarantee high returns to investors. In line with (Suciati, 2018), (Duy and Huu Phuoc, 2016), (Adiwibowo, 2018) that company size does not have a significant impact on stock returns. In contrast to (Adawiyah and Setiyawati, 2019), (Surjandari, et al, 2020) stated that they were influential.

4.4.4. Investment risk moderates the effect of leverage on stock returns

Hypothesis testing shows that risk is not able to moderate the effect of leverage on stock returns. Contrary to pecking order theory, a company's high leverage ratio means using borrowed money in risky projects. Increased leverage will increase investment risk, high debt will result in small share returns, because the company's priority will be to focus on paying its obligations rather than distributing profits or dividends. This result is in line with (Januardi and Afrianto, 2017), (Jerico and Utami, 2021) leverage has a positive effect on risk, and capital structure is not accurate in predicting its effect on investment risk. Contrary to (Hussan, 2016) and (Gunarathna, 2016) explain that there is a positive impact of leverage on risk and return. Then the results of research (Laham, 2013) and (Komariah, et al, 2011) found that stock returns have a significant effect on investment risk.

4.4.5. Investment risk moderates the effect of tax planning on stock returns

The results of the hypothesis test state that investment risk is not able to moderate the effect of tax planning on stock returns. Tax evasion if known and construed as an act of non-compliance, the company will bear a higher tax burden and compensation as well as legal action that causes the company risk in the future. Manipulating financial statement information by reporting large profits to maintain investor confidence, but in tax reporting trying to report earnings as low as possible with the aim of reducing the tax burden will actually increase risk and push stock returns down. This result is consistent with (Aronmwan and Okafor, 2019), (Firmansyah and Muliana, 2018). In contrast (Komariah, et al, 2011) which states that return has an effect on risk. (Pramudya, 2016) states that tax planning has an effect on stock returns.

4.4.6. Investment risk moderates the effect of firm size on stock returns

The results of the hypothesis conclude that investment risk is not able to moderate the effect of firm size on stock returns. Statistical data on average consumption industry companies have a large proportion of debt. This means that large companies with poor performance and low capital with high levels of debt have a big risk. Because in funding operational activities and

adding assets, the company will be in debt. The condition of high leverage causes the company's return to be low because at the time of obtaining profit the priority is to use it to pay debts rather than share profits. The size of the company cannot give a signal of how strong the company's finances are to get a return, the theory of high risk high return is not always suitable for all investors. Traders only look at short-term profitable stocks, while good investors look at historical stock price movements to predict future profitable stocks. These results are in line with (Agustin, et al, 2019), In contrast to those produced by (Pais and Stork, 2013), (Laeven, et al, 2016) Firm size has an impact on risk and stock returns.

5. CONCLUSIONS, SUGGESTIONS, AND IMPLICATIONS

The results of this study are leverage, tax planning and firm size have no significant effect on stock returns. Investment risk is not able to moderate the effect of tax planning leverage and firm size on stock returns. Research shows all results are not strong. It is recommended that further researchers take samples from other industries such as the insurance industry, increase the period, and use other proxies such as price to book value, market value added, dividend policy, book-tax-difference, stock volatility and use intervening, thereby strengthening the results of previous studies. Also following the latest regulatory developments such as PSAK 74 and IFRS 17 which have an impact on revenue separation which leads to distributed returns.

The implication and recommendation of this research is that the company is expected to improve its performance, provide financial statement information according to the company's condition, and improve risk portfolio management so that the value and shares of the company are high. Investors are more selective in investing by conducting technical and fundamental analysis. As well as carrying out the right strategy, to get an optimal portfolio so as to get the expected return with minimal risk.

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