

ABSTRACT

The pharmaceutical industry is part of the industries listed on the Stock Exchange for a long time, and this industry has been growing every year which makes the investors are willing to invest in it. Furthermore, the investors will only invest in the companies that have a good performance, so that the investors will gain the benefit from it.

The purpose of this study is to determine the effect of stock return on the profitability ratios (ROA, ROE, NPM, GPM) and inflation partially or simultaneously in pharmaceutical industry listed on Stock Exchange in the period of 2011-2014 and therefore it can be used as the information of the basis decision making by the investors.

The research method of data collection is using secondary data in form of financial statement of the pharmaceutical industry, audited in the period of 2011-2014 by using purposive sampling technique. In conducting this study, the sample from seven companies was employed. In addition, to analyze the data, panel data regression is used because it combines cross section data and time series, and to test the hypothesis, F-test and T-test were conducted.

Test methods used for research is the fixed effect model. The Results of the study that ROA and NPM partially has significant effect on stock returns while ROE, GPM and inflation partially no significant effect on stock returns. Simultaneously profitability ratios (ROA, ROE, NPM, GPM) and inflation have a significant effect on stock returns.

Share price of pharmaceutical Industries listed on the Indonesia Stock Exchange increased from the year 2011-2014, some advice for investors, if the company expected higher invests in the pharmaceutical industries, they should invest in long term. Investors should be focused on ROA and NPM of the company's financial statements because it has significant effect on stock returns. The higher ROA and NPM, it can be predicted that the stock returns will be higher as well.

Keywords: pharmaceutical, profitability, inflation, and stock return