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The Effect of Liquidity, Profitability and Solvency on Stock Returns In Manufacturing Companies Listed on The Indonesia Stock Exchange For The 2016-2020 Period

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Abstract.
This study aims to analyze the effect of Liquidity, Profitability, and Solvability of Stock Return on Manufacturing Companies for the 2016-2020 Period. The data in this study uses secondary data in the form of financial statements that meet the criteria. Data from financial statements obtained from the official website of the Indonesia Stock Exchange which can be accessed through www.idx.co.id. The technique used in the analysis in this study is linear regression of panel data using the EVIEWS 10 program. The results of this study show that Liquidity has a positive and significant effect on stock returns, Profitability has a negative and insignificant effect on stock returns, Solvency does not affect stock returns.

Keywords: Liquidity, Profitability, Solvency, Stock Return.

1. Introduction

In the current economic era, companies are required to have good operational performance in order to compete with other companies to maintain their existence, so as to encourage companies to offer their shares to the public to get additional capital that is expected to encourage the company's operational performance. This can attract the public or the public to invest in the capital market to make a profit. Business enterprises are generally defined as businesses requiring additional capital as well as public or private entities involved in such business ventures in the capital market. Advertising or promotion with market capitalization is a company that advertises its products or services to get additional capital such as shares from investors. Moreover, for financial backers, capital markets are one viable method for them to make a request for resources to earn profits based on what is contributed which is called corresponding stock returns.

According to Setiyono (2016) in research (Siagian et al., 2021) "every financial backer must be qualified to get a portion of the profit or profit corresponding to the level of ownership. In the event of an increase in stock returns in a company, financial supporters consider that the company can maintain its business well. The better the financial performance of the company, the better the profitability of the company, so investors who will buy shares will be interested in increasing investment if the company's performance is good. This is because the higher the value of the stock, the better the return."

Stocks are investment instruments that are in great demand by investors because they can provide a higher rate of return (return) than other investment instruments, such as bonds and mutual funds, but stocks have a very high level of risk. This is the same as the general principle of investing (high risk, high return), meaning that the higher the risk of an investment, the higher the return generated. Vice versa in investments that have low risk, the return obtained is also low (Fahmi et al., 2019). Therefore, it is important to have effective investment planning so that investors can maintain their investment.

Conditions in the capital market are full of uncertainty which causes investment risks that must be faced by capital market participants. This can be seen from the fluctuations in stock prices and return prices. In order to reduce this uncertainty, information is needed. So information is absolutely needed by capital market participants to make investment decisions. Information used by investors can be in the form of company financial statements. To find out the company's performance, capital owners will conduct an analysis on the company's financial statements, the results of the analysis can be used as a reference for investors whether the company has good or bad financial performance and is worthy of being asked where to invest in the company. Stock returns in 2016-2019 experienced a downward trend. For investors, this has an impact on the decrease in returns obtained by investors, so that later it will affect investors' decisions to buy shares of the company or sell shares that have been purchased to avoid losses. As for companies, this condition has an impact on the loss of investor confidence in the company so that the company will lose additional sources of capital.

Fluctuations in stock returns in 2016-2019 tend to decrease for investors, this greatly impacts the decline in investment returns due to the decline in the company's return value. So that the decline in return, investors will later think again about investing by buying shares in the capital market, even investors will sell shares that have been purchased to avoid losses due to falling stock prices. Liquidity is a ratio that measures the smooth level of a company's ability to settle its short-term debt on time. This results in the company's opportunity to invest using reduced cash, because the company's cash in the form of dividends is distributed to shareholders. If the company in its operations obtains optimal profits, the smoother the company's financing and funding and vice versa if the company in its operations obtains non-optimal profits, it will not be smooth financing and company revenue.

The profitability ratio can also provide a measure of the level of effectiveness of a company's management. This is indicated by the profit generated from sales and investment income. As a result, the use of this ratio shows the efficiency of the company. The profitability of a company can be measured using Return on Assets (ROA). The higher the Return on Assets (ROA) owned by the company, the better the performance of the company in generating net income so that it will affect the increase in the distribution of returns to shares. The company's solvency can show the company's ability to meet its finances both short and

long term if the company is liquidated. Investors tend to avoid stocks that have a high Debt to Equity Ratio (DER) because of a high Debt to Equity Ratio (DER) because increased debt use can reduce dividend payments if the company has a high fixed load so that the company will prioritize debt payments that will have an impact on dividend payments (Wati et al., 2018).

Based on statements with previous research, researchers are interested in conducting research entitled **"The Effect of Liquidity, Profitability, and Solvency on Stock Return in Manufacturing Companies on the Indonesia Stock Exchange for the 2016-2020 Period".**

2. Research Methods

The object of this study is a scientific target to obtain data with certain goals and uses about an objective, valid, and reliable thing (certain variables). This research was conducted with the aim of determining the effect of liquidity, profitability, and solvency on stock returns in manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period. In a study, the data used is quantitative data because it is expressed by numbers that show the value of the magnitude of the variable it represents. Research data sources are divided into 2, namely primary data sources and secondary data sources (Sugiyono, 2016). The data source used in this study is secondary data.

The type of data used in this study is panel data where panel data is one of the combination data between cross section data or data at a certain time juxtaposed with time series data or time series data. For this study, the author uses quantitative research, because the data to be obtained is in the form of numbers. From the numbers obtained, it will be further analyzed in data analysis. The sampling technique in this study is purposive sampling. Where purposive sampling uses sampling methods based on certain criteria. The criteria consist of: (1) Manufacturing companies in various industrial sectors listed on the Indonesia Stock Exchange in the period 2016-2020; (2) Companies that publish their financial statements in rupiah; (3) Companies that report their financial statements consecutively; and (4) Companies that do not have complete data.

In this study, data collection techniques were used in the form of literature studies and documentation. This literature study was obtained from journals and the results of previous research. While documentation is obtained from data and information contained in the company's financial statements.

2.1 Methods of Analysis and Hypothesis Testing

In this study, the data analysis technique used was to use Multiple Linear Regression using EVIEWS as a tool to test the data. According to Trianto (2015: 66), "regression analysis aims to predict changes in independent variables from dependent variables."

Descriptive Analysis

This analysis is carried out without the intention of drawing a generalized or general conclusion and has the aim of being able to investigate the data with the method described with the data that has been collected. According to Sugiyono (2012: 247) "this analysis presents data in tabular form. Descriptive statistics includes activities that include presenting data in tabular form and then collecting data in the form of: data layout, data form and data differences."

Hypothesis Testing

The hypothesis test in this study aims to determine how much influence an independent variable has on the dependent variable. Statistical analysis was carried out on the data obtained to answer the problems and testing the hypotheses in this study. The regression models used for hypothesis testing are as follows:

$Y = \beta 1\ X1 + \beta 2\ X2 + \beta 3 + e$

Information:

Y = Return Shares

β1, β2 = Regression coefficient for each independent variable X1 = Liquidity

X2 = Solvency

X3 = Profitability

e = variable penganggu (error term)

The statistical test t is statistical to function to test the hypothesis of the influence of the independent variable on the dependent variable in the regression model using test criteria with the condition of the amount of t value and significance (Ghozali, 2013).

Ho = Variable X has no significant effect on Variable Y

Ha = Variable X has a significant effect on Variable Y The test criteria for the above statement are:

If statistically the significance is shown and is below 5% which means that the significance of the value on the T test < 0.05 and Tcalculate > Ttable, then Ho is rejected and Ha is accepted.

If statistically the significance is shown and is above 5% which means that the significance of the value on the test T > 0.05 and Tcalculate < Ttable, then Ho is accepted and Ha is rejected.

3. Results and Discussion

3.1. Descriptive Statistics of Research Variables

Descriptive analysis in this study aims to provide an overview and information about variable data in a study. This descriptive analysis includes the number of observations, mean value, standard deviation, minimum value, and maximum sample value for each variable studied. The independent variables used in this study are Liquidity, Profitability, Solvency and the dependent variable is Stock Return.

Table 1 Descriptive Analysis

	R	CR	ROE	DER
Mean	0.144700	6.103800	0.135830	0.797600
Median	-0.035000	1.725000	0.045000	0.475000
Maximum	9.640000	303.2800	2.430000	8.260000
Minimum	-0.950000	0.060000	-1.241000	-3.040000
Std. Dev.	1.082943	31.13346	0.495739	1.509316
Skewness	6.944177	8.975022	2.782484	1.407190
Kurtosis	60.56456	85.06509	14.07719	10.12385
Jarque-Bera	14610.69	29403.68	640.3042	244.4580
Probability	0.000000	0.000000	0.000000	0.000000
Sum	14.47000	610.3800	13.58300	79.76000
Sum Sq. Dev.	116.1039	95959.96	24.32992	225.5254
Observations	100	100	100	100

In table 1 the minimum value of the variable R is -0.95, the maximum value of the variable R is 9.64, the mean value of the variable R is 0.1447, and the value of the standard deviation of the variable R is 1.082943. For the minimum value of the CR variable of 0.06, the maximum

value of the CR variable is 303.28, the mean value of the CR variable is 6.1038, and the value of the standard deviation of the CR variable is 31.13346.

For the minimum value of the ROE variable of -1.241, the maximum value of the ROE variable is 2.43, the average value (mean) of the ROE variable is 0.13583, and the value of the standard deviation of the ROE variable is 0.495739. For the minimum value of the DER variable of -3.04, the maximum value of the DER variable is 8.26, the mean value of the DER variable is 0.7976, and the value of the standard deviation of the DER variable is 1.509316.

3.2. Hypothesis Testing Results

The hypothesis test in this study aims to determine how much influence an independent variable has on the dependent variable. Statistical analysis was carried out on the data obtained to answer the problems and testing the hypotheses in this study. There are three ways that can be done for model feasibility tests, namely t tests, determination coefficient tests, and f tests.

The t-test basically shows how far the influence of the independent variable partially or individually affects the dependent variable. The test criteria used are as follows: (1) If t counts < t table then H0 is accepted meaning that there is partially no influence between CR, ROE, and DER on stock returns. The probability of > 0.1 = H0 is accepted and Ha is rejected; and (2) If t counts > t table then H0 is rejected meaning that there is a partial influence between CR, ROE, and DER on stock returns. The probability of > 0.1 = H0 is rejected and Ha is accepted.

Table 2. t-test

Dependent Variable: R				
Method: Panel Least Squares				
Date: 01/30/22 Time: 20:59				
Sample: 2016 2020				
Periods included: 5				
Cross-sections included: 20				
Total panel (balanced) observations: 100				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.367380	0.206930	-1.775388	0.0798
CR	0.002100	0.003740	-0.561579	0.5760
ROE	1.846993	0.691684	2.666430	0.0093
THE	0.343558	0.124881	2.751093	0.0074

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.284766	Mean dependent was	0.144700
Adjusted R-squared	0.680414	S.D. depended was	1.082943
S.E. of regression	1.038489	Akaike info criterion	3.112046
Sum squared resid	83.04139	Schwarz criterion	3.711235
Log likelihood	-132.6023	Hannan-Quinn criter.	2.417295
F-statistic	1.393507	Durbin-Watson State	2.133168
Prob(F-statistic)	0.000000		

The results of the partial significance test (t test) based on Table 2:

(a) Scenario 1

Based on the table, shows the calculated t value of. t table resulting df (n-k-1) or (100-3-1) = 96 table t result of 1.98498.

So t-value -0.561579 < 1.98498. t table and significance value greater than 0.1 (0.5760 > 0.1), then H0 is accepted. So that the Liquidity variable has a negative effect on stock returns. Then liquidity has no effect on stock returns.

(b) Scenario 2

Based on the table, it shows a calculated t value of 2.66643 0 > 1.98498. t table and significance value is less than 0.1 (0.093 < 0.1), then H0 is rejected. So that the Profitability variable has a positive effect on stock returns. So profitability has a positive and significant effect on stock returns.

(c) Scenario 3

Based on the table, it shows a calculated t value of 2.751093 > 1.98498. t table and significance value is less than 0.1 (0.074 < 0.1), then H0 is rejected. So that the Solvency variable has a positive effect on stock returns.

3.2 Discussion

The Effect of Liquidity on Stock Return

From the results of this study, it can be seen that liquidity has no effect on stock returns and has a negative coefficient on stock returns because it can be seen from the data that the value of t is calculated < t table (-0.561579 < 1.98498). So that means liquidity has a negative and insignificant effect on stock returns.

This means that the lower the company's liquidity level, it will reduce the company's Stock Return and significantly means that the large value of the liquidity level will affect the size of the company's Stock Return. This is because the company's ability to pay its short-term debt has not been fulfilled because the company's current assets are not sufficient for short-term debt. (Iqbal, 2020). The results of this study are in accordance with the results of Iqbal's (2020) research which shows that liquidity has a negative insignificant effect on stock returns. Meanwhile, the results of this study contradict research conducted by Eva (2021) which states that liquidity has a positive and significant effect on stock returns.

The Effect of Profitability on Stock Return

From the results of this study, it can be seen that profitability affects stock returns and has a positive coefficient on stock returns because it can be seen from the data that the value of t is calculated > t table 2.66643 0 > 1.98498). So profitability has a positive and significant effect on stock returns. This means that if the company's profitability level is higher, it will increase the company's Stock Return. The results of this study are in accordance with the results of Desy's research (2018) which shows that profitability has a positive and significant effect on stock returns. The results of this study contradict research conducted by Eva (2021) which shows that profitability has a negative and insignificant effect on stock returns

The Effect of Solvency on Stock Return

From the results of this study, it can be seen that solvency affects stock returns and has a positive coefficient on stock returns because it can be seen from the data that t-value > t table (2.751093 > 1.98498). So solvency has a positive and significant effect on stock returns. Solvency in this study is proxied by debt to equity ratio (DER). DER shows that the company's capital structure is used as a source of business funding. This ratio is used to measure how much of your own capital guarantees short-term debt or long-term debt. The greater this ratio

means the smaller the own capital in guaranteeing its debt, so for the company it will be more risky. Conversely, a smaller debt ratio indicates better performance, because it causes higher returns. (Nurmia, 2021)

The results of this study are in line with research conducted by Nurmia (2021) which shows that solvency has a positive effect on stock returns. While the results of this study are not in line with research conducted by Sherlly (2017) which states that solvency has no effect on stock returns.

4. Conclusion

In this study, 20 manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period were tested. This research was conducted with the aim of determining the effect of liquidity, profitability, and solvency on the stock retreat of manufacturing companies. From the results of research and discussion, it can be concluded that liquidity has a negative and insignificant effect on the return of shares of manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Profitability has a positive and significant effect on stock returns in manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Solvency has a positive and significant effect on stock returns in manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

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