THE INFLUENCE OF SOLVENCY ON COMPANY STOCK RETURNS WITH LIQUIDITY AS A MODERATING VARIABLE

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Abstract

The existence of investors is the most important thing for a company to continue to grow and develop. Investors will be more diligent in investing on a large scale if the results obtained or the reciprocity/share returns are also smooth. This research is a quantitative research with an exploratory approach. The data used in this research is secondary data obtained from the financial reports of RNI subsidiaries spread throughout Indonesia. The data obtained was analyzed with smart PLS 4.0. The research results show that first, the Solvency variable has a positive relationship and a significant influence on the Company Stock Return variable because the T-Table value is below the significance level of 0.05, namely 0.011. This means that the more debt a company has, the more investors will think the company has a big vision for growth. Second, Liquidity variables can moderate the Company Stock Return variable because the t-table value is positive and is below 0.05, namely 0.004. Even more significant than direct testing is 0.011. This means that even though investors believe in companies that can utilize debt to grow bigger, investors will believe again if this utilization is accompanied by smooth liabilities and total assets that continue to grow.

Keywords : *Solvency, Company Stock Return, Liquidity*

1. INTRODUCTION

Currently there are many agencies that offer financial services to the public, one of which is a company operating in the banking sector or what is often called a bank. Companies or banks have many benefits in people's lives, one of which is as an investment model. Investment is always related to shares. According to (Elton, 2014) shares can be interpreted as securities which are proof of individual or industrial participation or ownership in a business entity.

As times progress and as time goes by, the Bank makes many changes in performance to make it better by changing the management within the Bank and improving the services available at the Bank. Based on Law no. 10 of 1998 concerning banking, according to (Kasmir, 2016) Banks are financial institutions that accommodate funds originating from the public in the form of savings and channel them back in the form of loans (credit) or in other forms with the aim of improving the standard of living of the community or many people(Kasmir, 2018).

In the Indonesian economic sector, banking is one sector that has a crucial (important) role in efforts to achieve progress in the Indonesian economy. For the Indonesian economy, banking is one sector that has financial strength. In a company, sources of funds can be obtained through selling shares to the public or investors in the capital market. The capital market can be used as an alternative that can be utilized by agencies to meet company funding needs. The capital market is also an alternative for the public to invest in stock securities. According to (Husnan, 2018) the capital market is a market for various long-term banking instruments that can be bought and sold, either in the form of debt or own capital. Banking institutions offer investors that the rate of return they will receive will be obtained more quickly. Meanwhile, according to (Sawidji, 2012) the capital market or stock market is the location where agency shares are sold. In Indonesia's economic growth, the capital market has a crucial role. The capital market acts as an intermediary institution for funds originating from those who own the funds to those who need the funds. Intermediation can increase economic productivity through investment activities.

Return is the result obtained from investment activities. The rate of return is the main aspect for investors because return is the result obtained from an investment. Before making an investment, investors must have taken into account the profits that will be obtained from the investment made. The popular security investment model in the capital market is stock securities. Stock return is the level of profit enjoyed by investors from a stock investment (Ang, 1997). By investing, whether for the long term or short term, every investor has a specific aim, namely to gain profits, either directly or indirectly. When making an investment, investors must look at two aspects, namely the expected return (desired level of return) and the risks that will exist or are contained in the investment that will be made. Investors will buy shares in certain companies because there is a desired share return that will be realized in the future in the form of dividends and capital gains (Jogiyanto, 2017).

There are a number of factors that can influence stock returns, including solvency. The Solvency Ratio is a ratio that expresses how capable a company is of paying its debts in full during liquidation which can be calculated through long-term liabilities and current assets (Harahap, 2015). The Solvency Ratio describes the extent to which the owner's capital can cover debts to outside parties. According to (Sawir, 2013), the higher this ratio, the greater the company's ability to be unable to pay its obligations. A company that uses debt will be riskier than a company without debt, because apart from having business risks, companies that use debt have financial risks. This means that the company has a high risk which will make stock investment less attractive, thus affecting the decline in the value of stock returns. The ratio used to measure the solvency ratio in this research is the debt to equity ratio (DER). The higher the debt to equity (DER) reflects the company's relatively high risk, as a result investors tend to avoid stocks that have a high debt to equity (DER) value. Companies that have a high DER value will experience a decrease in the value of stock returns.

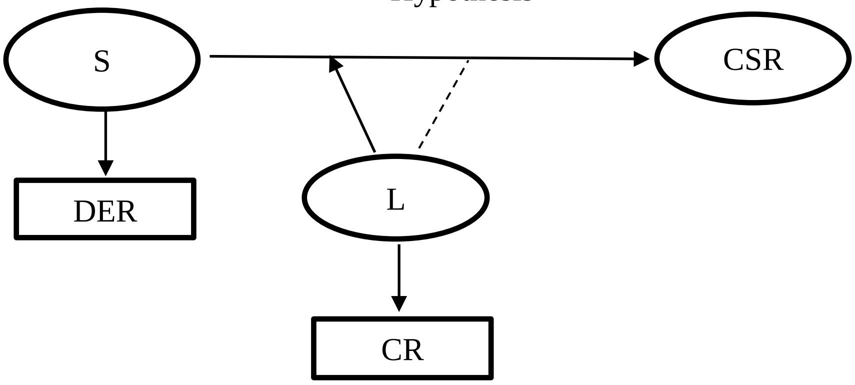
There are a number of studies (Nurazizah et al., 2022); (Silitonga, 2022); (Purwanto, 1960); (Yanita Sanjaya & Maulida, 2022) & (Nabila Khaerumuda & Hotman Tohir Pohan, 2023)show that the Solvaibility variable has a positive relationship and a significant influence on the ROA variable. In contrast to the studies above, this study adds the Liquidity variable as an important moderating variable, which has the potential to strengthen the two variable relationships above.

2. RESEARCH METHODS

There are several things that can influence stock returns, including solvency(Jonathan Sarwono, 2016). In fact, there have been many similar studies, as a different style in this research the researcher added the Liquidity variable as a moderating variable which the researcher believes can strengthen the relationship between the independent variable and the dependent variable, namely the Solvency variable and the Stock Return variable (Sugiyono, 2019). This research is a quantitative research with an exploratory approach. The data used in this research is secondary data that researchers obtained from the financial reports of RNI subsidiaries spread throughout Indonesia(Abdurahman, 2016). The data obtained was analyzed using smart PLS 4.0 software

Fugre 1

Hypothesis



Note:

S : Solvency ⟶ DER = Debt to Equity Ratio = Total Debt/Total Capital
CSR: Company Stock Returns ⟶ = CR = Current Ratio = Current Assets/Current Liabilities
L: Liquidity

Hypothesis:

H1: The Influence of Solvency on Company Stock Returns
H2: Liquidity Can Moderates Solvency Returns on Company Stock Returns

3. RESULT

Convergent Validity

Whether using primary data or secondary data in using PLS 4.0 software, the data used must be tested whether it is valid or not. Data is said to be valid if the loading factor value is above 0.70 (Sarstedt et al., 2014). The following are the results of the Convergent Validity test that researchers have processed:

Table 1

Convergent Validity

Variable	Loading Factor	Noted
Solvency (DER)	0.803	Valid
Company Stock Returns	0.828	Valid
Liquidity (CR)	0.867	Valid

Valid : > 0.70

Realibility Test

Whether using primary data or secondary data in using PLS 4.0 software, the data used must be tested whether it is valid or not. Data is said to be valid if the loading factor value is above 0.70 (Sarstedt et al., 2014). The following are the results of the Convergent Validity test that researchers have processed (Ghozali, 2016):

Table 2
Realibility Test

Variable	Composite Realibility	Cronbach Alfa
Solvency	0.820	0780
Company Stock Returns	0.835	0.785
Liquidity	0.850	0.810

Valid : > 0.70

4. DISCUSSION

Path Coefisien

Based on the results of table 1 Convergent Validity and table 2 Reliability Tests for the variables Solvency, Company Stock Return, and Liquidity, all variables are valid and reliable, the next stage is to ascertain whether the dependent variable has a positive relationship and significant influence on the dependent variable, and whether the moderating variable can strengthen the relationship between these variables (Ghozali, 2016).

Table 3
Path Coefisien

Variable	T-Table	Note
S -) CSR	0.011	Accepted
L*S-)CSR	0.004	Accepted

Significant Level> 0,05

H1: The Influence of Solvency on Company Stock Returns

Based on table 3 of the path coefficients above, it can be concluded that the Solvency variable as measured by the Debt to Equity Ratio has a positive relationship and a significant influence on the Company Stock Returns variable because the t-table value has a positive direction and is below the 0.05 significance level, namely 0.011 . This is in line with research studies (Nurazizah et al., 2022); (Silitonga, 2022); (Purwanto, 1960); (Yanita Sanjaya & Maulida, 2022) & (Nabila Khaerumuda & Hotman Tohir Pohan, 2023)
. This means that the greater the company's debts and liabilities, the greater the stock return. Investors view companies that want to grow optimally as normal, and it is even a habit to take on debt. Thus, the first hypothesis in this research can be accepted.

H2: Liquidity Can Moderates Solvency Returns on Company Stock Returns

Even though the Solvency variable has a positive relationship and a significant influence on Company Stock Returns, researchers believe that investors' stock returns if their total assets and total liabilities are smooth, will have a more significant influence. In line with this statement, the results of table 3 of the path coefficient show that the Liquidity variable can moderate the influence of the Solvency variable on Company Stock Return because it has a positive direction and is below the 0.05 significance level, namely 0.004, even more significant than the direct test of 0.05. Thus the second hypothesis in this research can **beaccepted.**

5. CONCLUSION

Based on the results of the statistical analysis and description above, two points can be concluded as follows:

1. The Solvency variable has a positive relationship and a significant influence on the Company Stock Return variable because the T-Table value is below the significance level of 0.05, namely 0.011. This means that the more debt a company has, the more investors will think the company has a big vision for growth.
2. Liquidity variables can moderate the Company Stock Return variable because the t-table value is positive and is below 0.05, namely 0.004. Even more significant than direct testing is 0.011. This means that even though investors believe in companies that can utilize debt to grow bigger, investors will believe again if this utilization is accompanied by smooth liabilities and total assets that continue to grow.

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