Liquidity Ratio, Profitability, And Solvency On Stock Returns With Capital Structure As An Intervening Variable (Study On Food And Beverage Sub Sector Listed In Indonesia Stock Exchange (Idx) Period 2013-2017)

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Abstract

The stock market is a business field of securities trading one of them is stock. For prospective investors, investment decisions in stock must be preceded by a process of analysis of variables which can influence the price of a stock. Investors need to have benchmarks in order to know whether if he invested in a company he would benefit if the shares are sold. One factor to be a benchmark investor is knowing the financial condition of the company where it can be seen with the financial ratio analysis and management of an optimal capital structure. This study aims to determine the effect of the ratio of liquidity, profitability, and solvency to return stock with a capital structure as an intervening variable. This study uses a quantitative approach. The research method using the method of documentation. Samples were company food and beverage sub-sectors listed in Indonesia Stock Exchange 2013-2017 period. The sampling technique used purposive sampling method with predetermined criteria obtained 11 samples of the company. This study uses data analysis Partial Least Square (PLS). These results indicate that liquidity ratios have a negative impact on stock returns, while the profitability and solvency ratios have no effect on stock returns. The results also show the liquidity ratio and solvency ratio has a negative effect on the capital structure, profitability ratios while not having capital structure. And capital structure has a negative impact on stock returns. The results also show the ratio of liquidity, profitability, and solvency partially no effect on stock returns with the capital structure as an intervening variable. For investors, before deciding to invest in certain industrial stocks, the investor should not only refer to the company's financial ratios but also to the company's external factors such as the exchange rate and the country's economic conditions.

Keywords: Stock return, capital structure, liquidity, profitability. Solvency

Rasio Likuiditas, Profitabilitas, dan Solvabilitas Terhadap Pengembalian Saham Dengan Struktur Modal Sebagai Variabel Intervening (Studi Pada Sub Sektor Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia (Idx) Periode 2013-2017)

Abstrak

Pasar saham adalah bidang usaha perdagangan efek salah satunya adalah saham. Bagi calon investor, keputusan investasi dalam saham harus didahului dengan proses analisis variabel yang dapat mempengaruhi harga suatu saham. Investor perlu memiliki tolok ukur untuk mengetahui apakah jika ia berinvestasi di perusahaan ia akan mendapat manfaat jika sahamnya dijual. Salah satu faktor untuk menjadi investor patokan adalah mengetahui kondisi keuangan perusahaan di mana dapat dilihat dengan analisis rasio keuangan dan pengelolaan struktur modal yang optimal. Penelitian ini bertujuan untuk mengetahui pengaruh rasio likuiditas, profitabilitas, dan solvabilitas terhadap return saham dengan struktur modal sebagai variabel intervening. Penelitian ini menggunakan pendekatan kuantitatif. Metode penelitian menggunakan metode dokumentasi. Sampel adalah sub-sektor makanan dan minuman perusahaan yang terdaftar di Bursa Efek Indonesia periode 2013-2017. Teknik pengambilan sampel menggunakan metode purposive sampling dengan kriteria yang telah ditentukan diperoleh 11 sampel perusahaan. Penelitian ini menggunakan analisis data Partial Least Square (PLS). Hasil ini menunjukkan bahwa rasio likuiditas memiliki dampak negatif pada pengembalian saham, sedangkan rasio profitabilitas dan solvabilitas tidak berpengaruh pada

pengembalian saham. Hasil penelitian juga menunjukkan rasio likuiditas dan rasio solvabilitas berpengaruh negatif pada struktur modal, rasio profitabilitas sementara tidak memiliki struktur modal. Dan struktur modal memiliki dampak negatif pada pengembalian saham. Hasil juga menunjukkan rasio likuiditas, profitabilitas, dan solvabilitas secara parsial tidak berpengaruh terhadap pengembalian saham dengan struktur modal sebagai variabel intervening. Untuk investor, sebelum memutuskan untuk berinvestasi pada saham industri tertentu, investor tidak hanya mengacu pada rasio keuangan perusahaan tetapi juga faktor eksternal perusahaan seperti nilai tukar dan kondisi ekonomi negara.

Kata kunci*: Pengembalian saham, struktur modal, likuiditas, profitabilitas. Solvabilitas*

INTRODUCTION

(Panji Anogara, 2008) The stock market is a trading company dealing in securities such as stocks, stock certificates, and bonds. For prospective investors, investment decisions in stock must be preceded by a process of analysis of variables which can influence the price of a stock. Investors need to have benchmarks in order to know whether if he invested in a company he would get the gain (profit) if the shares are sold. Increasingly mature company, it will evolve to meet the needs of a changing market. The financial condition of a healthy company and efficiency in the performance of a key demand to meet the needs of the changing market and compete with other companies. The financial report is one of the most important tools to be able to know how the financial conditions that exist in the company, namely by using ratio analysis of financial ratios. (Antara, Sepang, & Saerang, 2014).

Financial ratios are used by companies to provide an overview of the company's health condition. Therefore, financial performance affects the issued shares of the company (Antara et al., 2014). (Fahmi, 2014) For investors there are three predominant financial ratios are used as a reference to the condition of a company's performance, namely: 1) Liquidity Ratio 2) Solvency ratio and 3) Ratios Profitability

In the study conducted by (Antara et al., 2014) states that the liquidity ratio has no significant effect on stock returns. It is inversely proportional to other studies mention that the liquidity ratio has a positive and significant effect on stock returns (Ulupui, 2007). In the study conducted by (HERYANTO, 2016) suggests that liquidity has a positive effect on stock returns. In the study conducted by (Akram, 2014) states that the effect of liquidity on stock returns have a negative relationship. Referring to the study done by (Anwaar, 2016), (Nurhakim, Yunita, & Iradianty, 2016),(Martani & Khairurizka, 2015), (Nalurita, 2015), (Öztürk, 2017), (HERYANTO, 2016) states that profitability had a significant positive effect on stock returns. This study is inversely proportional to the research conducted by (Allozi & Obeidat, 2017) NPM which has no effect on stock returns. In the study conducted by (Yustini, Sagara, & Saputri, 2018) and (Jasman & Kasran, 2018) which states that profitability does not affect the stock return.

Referring to the research conducted by (Prince Acheampong & Shibu, 2015), (Setiyono, 2016), (Nalurita, 2015) who stated that the solvency ratio has a significant positive influence on stock return. It is inversely proportional to the research conducted by (Mohammad Nayeem Abdullah, Kamruddin Parvez, Tarana Karim, 2015) which stated that the leverage significant negative effect on stock returns. As well as research conducted by (Allozi & Obeidat, 2017) (Wijaya, 2015) and (Maringka, Moeljadi, Djazuli, & Ratnawati, 2016) which stated that the leverage has no effect on stock returns.

In the era of globalization, is becoming an increasingly competitive business world that requires companies to be able to adapt in order spared of bankruptcy and ahead of the competition. In anticipation of this competition, the company must maintain and improve performance as its survival. Efforts to do one of them is to adopt a strategic policy effective

and efficient for the company. One of the ways to implement the strategic policy for the company to manage its capital optimally both in obtaining and allocating capital.

In the study conducted by (Andarsari, Winarno, & Istanti, 2016) states that the liquidity negatively affects the capital structure. This is in line with recent research carried out by the (Ghasemi & Hisyam Ab Razak, 2016) which states that the liquidity effect on capital structure. In the study conducted by (Šarlija & Harc, 2012) also states that the liquidity effect on stock returns. In that research conducted by (Putri, 2012) states that profitability (ROA) and no significant positive effect on capital structure. In another study says that profitability and significant positive effect on the capital structure (Hermuningsih, 2001). In the study conducted by (Shahid, Akmal, & Mehmood, 2016) stated that profitability has significant relationships and their effect on capital structure. In the study conducted by (Velnampy & Niresh, 2012) states that the positive effect on the profitability of the capital structure. It is inversely proportional to the research conducted by (Handayani, Maradona, & Darma, 2018) which states profitability negatively affect the capital structure.

In the study conducted by (Salamat & Mustafa, 2016) states that there is a negative relationship between structure and significant capital and stock returns. In other research conducted by (Ghi, 2015) states that the capital structure and financial performance have an impact on stock returns. In the study conducted by (Purwitajati & Putra, 2016) states that the capital structure of the positive effect on stock returns.

From the description above shows that if a company wants to compete with other companies, it must improve its financial performance which can be tested by financial ratios. To improve the financial performance of strategic policies needed an effective and efficient one with an optimal capital structure management, so that the optimal capital structure and financial performance can increase the rate of return or stock. The study aims to examine the effect of the ratio of liquidity, profitability, and solvency to return stock with a capital structure as an intervening variable. The Food and Beverage Sector is one of the sectors of companies listed on the Indonesia Stock Exchange (IDX). Today the food and beverage sector has a great opportunity in developing its business. This can be seen by the increasing number of companies engaged in food and beverage. The development of the food and beverage sector in Indonesia in the last period showed an increasing number every year. As seen in the following table:

Table 1. Food and Beverage Industry Performance

Description	Year					
	2012	2013	2014	2015	2016	2017
Growth of the Food and Beverage Industry	10,33	4,07	9,49	7,54	8,33	9,23
Growth of Non-Oil and Gas Industry	6,98	5,45	5,61	5,04	4,43	4,84
Economic Growth	6,03	5,56	5,01	4,88	5,03	5,07

Source: BPS Processed by Kemenperin

THEORETICAL REVIEW

The parties interested in the development of a company need to know the financial condition of the company, the condition of a company can be known from the company's financial statements. By carrying out an analysis of the financial statements, you can find out the financial position and results of the business of the company, where with the results of the analysis interested parties can make decisions. (Halim, 2005).

There are several ways that can be used to analyze company financial statements, one of which is ratio analysis that connects two financial data (balance sheet or income statement), either individually or a combination of both, by dividing one data with other data. (Halim, 2005).

Ratio analysis is able to provide indicators and symptoms that appear around the surrounding conditions. If the calculated ratios are interpreted appropriately, they will be able to show aspects where further evaluation and analysis must be carried out. Analysis of ratios can explain the relationship between the variables concerned. (Halim, 2005)

According to (Fahmi, 2014) For investors there are three most dominant financial ratios that are used as references to see the performance conditions of a company, namely: 1) Liquidity ratio, Solvency ratio and Profitability ratio.

(Utari Dewi, Purwanti Ari, 2014) Liquidity is the ability of the company meets all its obligations at maturity. That ability can be realized when the number of current assets is greater than current liabilities. Companies that liquid is a company that is able to meet all its obligations due and illiquid company is a company that is not able to meet all its obligations at maturity.

This ratio is important because failure to pay obligations can lead to the bankruptcy of the company. This ratio measures the ability of the company's short-term liquidity to see the company's current assets relative to current debt. The Illiquid company will lose the trust of outsiders, especially the creditors and suppliers, and from the party in its staff. Therefore, every company should have the liquidity of a business entity (external relations) and the company's liquidity (associated with the company.

(Utari Dewi, Purwanti Ari, 2014) the profitability ratio is management's ability to earn a return. The higher the profitability ratio indicates more effective in utilizing the company's assets to generate a net profit after tax. The increasing profitability ratios show that the company's ability to manage the assets held high so that the rate of return earned by shareholders will be increased.

(Utari Dewi, Purwanti Ari, 2014) Solvency ratios or leverage is the ability to use debt to finance investment. The ratio of total debt to the ideal price by 40%. But in a good economic condition, level of leverage can be high because the operation is expected to produce a high profit. In bad economy leverage levels should be lower in order to lower interest expense.

Capital structure is defined as the composition and the proportion of long-term debt and equity (preferred stock and common stock) are set by the company. Thus the capital structure is the financial structure is reduced by short-term debt. Short-term debt is not taken into account in the capital structure for this type of debt is generally spontaneous (change according to changes in the level of sales). Meanwhile, long-term debt is fixed during a relatively long period of time (more than one year) so its presence needs to be considered by the finance manager. That is the main reason why the capital structure consists of long-term debt and equity.

(Fahmi, 2014) Capital Structure Balancing theories is a theory which describes the policies adopted by the company to seek additional funds by becoming a loan to banking tub or also by issuing bonds. Bonds is a securities (commercial paper) which includes the nominal value, interest rate, and the time period in which it is issued either by the company or government to then be sold to the public. Pecking order theories are theories that explain a policy adopted by the company to seek additional funds by selling its assets. Such as selling the buildi, land, inventory owned and other assets. In the pecking order theories policy means the company made policy by reducing its asset ownership as do sales policy. Further

impacts of the company will experience a shortage of assets because it is used to finance the company's activities plan which is being or will be. Being such as to repay maturing debt and to come as for new product development (new product) and expansion of the company in the open branch offices and various branches.

Investors invest with the aim of obtaining the maximum return, without forgetting the investment risk faced. (Halim, 2005) Return of investment management in the context of the remuneration earned from investments. Return is one of the factors that motivate investors to invest and also a reward for the courage of investors in the investment risk. Return is divided into two, the first return has occurred (actual return) are calculated based on historical data, and the expected return will be obtained in the future/

According to Halim (Halim, 2005) The sources of investment return consist of two components, namely:1). Capital gain (loss), is a profit (loss) for investors obtained from the excess selling price (purchase price) above the purchase price (selling price) of securities that both occur on the secondary market, 2). Yield, is the income or cash flow that investors receive periodically, for example in the form of dividends (if we buy shares) or interest (if we invest in bonds). Yield is expressed as a percentage of invested capital.

The difference in the results of research and theory regarding the effect of liquidity, profitability and solvency on stock returns as described, indicates that there are other variables that are thought to influence the effect of liquidity, profitability, and solvency on stock returns. In this case, the author enters the capital structure variable as an intervening variable which will then be seen whether the capital structure variables can influence the relationship between the variables of liquidity, profitability, and solvency on stock returns. So to clarify the relationship between variables, the conceptual framework in this study is as follows:
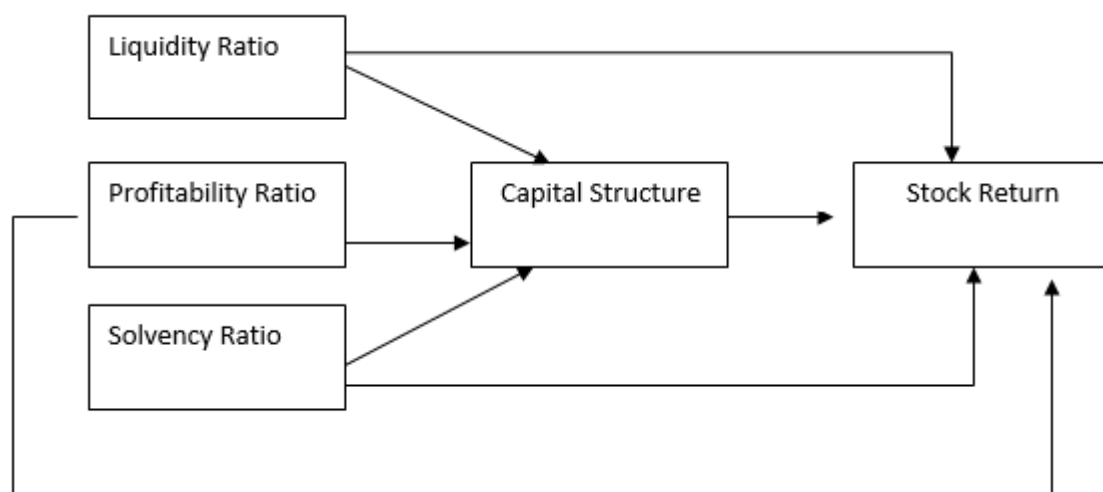
Source: Data Processed by Researchers, 2018
Figure 1. Conceptual Framework

Research Hypothesis
H1 = Liquidity affects stock returns
H2 = Liquidity affects the Capital Structure
H3 = Profitability affects stock returns
H4 = Profitability affects the Capital Structure
H5 = Solvability affects stock returns

H6 = Solvability affects stock returns

H7 = Modaal Structure has an effect on Stock Return

H8 = Liquidity has an effect on Stock Return with Capital Structure as an Intervening Variable

H9 = Profitability has an effect on Stock Return with Capital Structure as an Intervening Variable

H10 = Solvability has an effect on Stock Return with Capital Structure as an Intervening Variable

RESEARCH METHODS

This type of study is a quantitative study with a descriptive approach. This study aimed to test the dependent variable is the return stock with a capital structure as an intervening variable to the independent variables, namely the liquidity ratio, profitability, and solvency ratios period (2013-2017). The population of this research is all food and beverage companies whose profits are in BEI period 2013-2017. Data collection techniques used in this sample is purposive sampling, the sampling technique with a certain consideration (Sugiyono, 2016).

Sampling Criteria:

1. The food and beverage sub-sector manufacturing company listed on the idx for the period 2013-2017
2. The food and beverage sub-sector manufacturing company that publish financial statements for the period 2013-2017
3. The profit food and beverage sub-sector manufacturing company listed on the idx for the period 2013-2017

Table 2. Sampling Criteria

No	Sampling Criteria	Total
1.	The food and beverage sub-sector manufacturing company listed on the idx for the period 2013-2017	18
2.	The food and beverage sub-sector manufacturing company that do not publish financial statements for the period 2013-2017	4
3.	The lost food and beverage sub-sector manufacturing company listed on the idx for the period 2013-2017	3
4.	Sample	11

Source: Data Processed by Researchers, 2018

Based on predetermined criteria, of the 18 companies are (11) companies that meet the criteria as a sample in this study.

Table 3. Research Sample

No.	Company code	Company
1.	CEKA	PT Wilmar Cahaya Indonesia Tbk
2.	DLTA	PT Delta Djakarta Tbk

3.	ICBP	PT Indofood CBP Sukses Makmur Tbk
4.	INDF	PT Indofood Sukses Makmur
5.	MLBI	PT Multi Bintang Indonesia Tbk
6.	MYOR	PT Mayora Indah Tbk
7.	BREAD	PT Nippon Indosari Corporindo
8.	SKBM	PT Sekar Bumi Tbk
9.	SKLT	PT Sekar Laut Tbk
10.	STTP	PT Siantar Top Tbk
11.	ULTJ	PT Ultrajaya Milk Industry and Trading Tbk

Source: Data Processed by Researcher, 2018

(Jogiyanto, 2011) Analysis of Partial Least Squares (PLS) is multivariate statistical techniques that make comparisons between multiple dependent variables and multiple independent variables. PLS is a statistical method based SEM variant designed for complete regression when there is a specific problem in the data, such as the sample size is small, the data is lost (missing values), and multicollinearity. Instead, regression Ordinary Least Square (OLS) generates data that is not stable when the small-sized data, lack data is lost and multicollinearity among predictors thereby increasing the standard error of the estimated coefficient. Multikonieritas Cleaner theoretically increase the risk of rejection of the hypothesis in a regression model testing.

Variable Operational :
1. Independent Variables
    According to (Utari Dewi, Purwanti Ari, 2014) Liquidity is the company's ability to fulfill all of its obligations that are due. This ability can be realized if the amount of current assets is greater than current debt. According to (Utari Dewi, Purwanti Ari, 2014) Profitability is the management's ability to make a profit. Profit consists of gross profit, operating profit and net income. According to (Utari Dewi, Purwanti Ari, 2014) Solvability Ratios or leverage is the ability of companies to use debt to finance investments.
2. Dependent Variables
    According to (Halim, 2005) Return in the context of investment management is a reward derived from investment. Return is one of the factors that motivate investors to invest and is also a reward for the courage of investors to bear the risk of investments made.
3. Intervening variables
    According to (Fahmi, 2014) Capital Structure Balancing theories is a theory which describes the policies adopted by the company to seek additional funds by becoming a loan to banking tub or also by issuing bonds.

Table 4. Variable Operational List

No	Variable	Definition	Proxy
1.	Liquidity	According to (Utari Dewi, Purwanti Ari, 2014) Liquidity is the company's ability to fulfill all of its obligations that are due. This ability can be realized if the amount of current assets is greater than	$\dfrac{Current\ Asset}{Current\ Liabilities}$

		current debt.	
2.	Profitability	According to (Utari Dewi, Purwanti Ari, 2014) Profitability is management's ability to earn profits. Profit consists of gross profit, operating profit and net income.	$\dfrac{Earning\ after\ taxes}{sales}$
3.	Solvability	According to (Utari Dewi, Purwanti Ari, 2014) Solvability Ratios or leverage is the ability of companies to use debt to finance investments.	$\dfrac{Total\ Liability}{Total\ Asset}$
4.	Capital Structure	According (Fahmi, 2014) Capital Structure Balancing theories is a theory which describes the policies adopted by the company to seek additional funds by becoming a loan to banking tub or also by issuing bonds.	$\dfrac{Total\ liabilities}{stock\ holders\ equity}$
5.	Stock Return	According to (Halim, 2005) Return in the context of investment management is a reward derived from investment. Return is one of the factors that motivate investors to invest and is also a reward for the courage of investors to bear the risk of investments made.	$\dfrac{Pt - Pt-1}{Pt-1}$ x 100

Source: Data Processed by Researchers, 2018

D. RESEARCH RESULT

Analysis of partial least square (PLS) is used to test the relationship of the influence between variable liquidity ratios, profitability constellation, solvability ratio, capital structure and stock returns. In this study the liquidity ratio used is the current ratio, profitability ratio using net profit margin, solvency ratio using the debt ratio, capital structure using a debt equity ratio and stock returns so that the relationship between research variables can be obtained as follows:
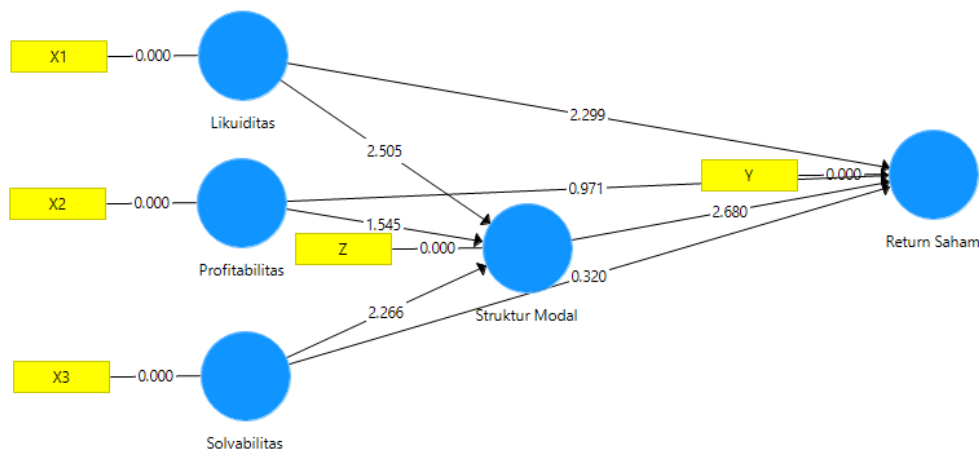
Source: Output SmartPLS 3, 2019

Figure 2. Output Result PLS

A. Structural Model Conversion (Outer Model)

Evaluation of the evaluation model was evaluated using conventional validity, discriminant validity, and reliability.

1. Convergent Validity

Convergent Validity of each indicator in the measurement of variables is accepted by the magnitude of the loading factor. From valid valid approved indicators contain positive value factors and greater than 0.5. The value of loading factors can be seen in the following table.

Table 5. Test Convergent Validity with Loading Factor

Variabel	Loading Factor	Explanation
Likuiditas	1,000	Valid
Profitabilitas	1,000	Valid
Solvabilitas	1,000	Valid
Struktur Modal	1,000	Valid
Return Saham	1,000	Valid

Source : Output SmartPLS 3, 2019

Based on the table above the value of the loading factor produced shows that all indicators of variables both liquidity, profitability, liquidity, solvency, capital structure and stock returns are values of loading factors greater than 0.5. Then the indicator can be declared valid as a latent variable.

2. Discriminant Validity

Discriminant Validity of each indicator measures latent variables indicated by the value of square root of average variance extrade (AVE). With the provision that AVE latent variables greater than latent variable correlations indicate variable indicators have good discriminant validity. The discriminant validity value is stated to be good if it is greater than 0.5. AVE values can be seen in the following table:

Table 6. Test the Validity of Discriminant with AVE

Variabel	AVE	Explanation
Liquidity	1,000	Valid
Profitability	1,000	Valid
Solvency	1,000	Valid
Capital Structure	1,000	Valid
Stock Return	1,000	Valid

Source : Output SmartPLS 3, 2019

Based on the table above the resulting AVE value shows that all variable indicators both liquidity, profitability, liquidity, solvency, capital structure and stock returns the AVE value is greater than 0.5. Then the indicator can be declared valid as a latent variable.

3. Reliability

Evaluation of composite reliability is done by looking at the composite liability value and measured by the cronbach alpha value. A construct is declared reliable if the composite reliability value is above 0.7 and the cronbach alpha value is above 0.6. The composite reliability value and cronbach alpha can be seen in the following table:

Tabel 7. Test Reliability with Composite Reliability and Cronbach Alpha

Variable	*Composite Reliability*	*Cronbach Alpha*	Explanation
Liquidity	1,000	1,000	Reliabel
Profitability	1,000	1,000	Reliabel
Solvency	1,000	1,000	Reliabel
Capital Structure	1,000	1,000	Reliabel
Stock Return	1,000	1,000	Reliabel

Source : Output SmartPLS 3, 2019

Based on the table above the Composite Reliability value generated shows that all indicators of variables are liquidity, profitability, liquidity, solvency, capital structure and stock returns greater than 0.7. Likewise with the cronbach alphai value where all indicators are greater than 0.6. Then the indicator can be stated the reliability of the height gauge, that is, the gauge of each construct has a high correlation.

B. Evaluation of Structural Models (inner model)

After testing the outer model with validity and reliability, the results of the tests show a good level of validity and reliability. Then further testing of the structural model (inner model). Testing of the inner model is done by looking at R Square (R2) which is a test of the goodness of fit model for each variable as the predictive power of the structural model. The value of R Square (R2) can be seen in the following table:

Table 8. Structural Model Test with R Square

Variable	R Square
Stock Return	0,111
Capital Structure	0,594

Source : Output SmartPLS 3, 2019

$Q^2 = 1 - (1-R1) \times (1-R2)$
$Q^2 = 1 - (1- 0.111) \times (1 - 0,594)$
$Q^2 = 1 - 0,360$
$Q^2 = 0,64$

R2 the stock return variable has a value of 0.111 or 11.1%. This shows that stock returns can be explained by liquidity ratios, profitability ratios and solvency ratios of 11.1%. While the rest, which is 88.9% is explained by other variables that are not examined.

R2 capital structure variable has a value of 0.594 or 59.4%. This shows that the capital structure is able to be explained by liquidity ratios, profitability ratios and solvency ratios of 59.4%. While the rest, which is 40.6%, is explained by other variables that are not examined.

Q2 (Q-Square Predicive Relevance) has a value of 0.64 or 64%. This shows that the diversity of stock return variables can be explained by the overall model by 64%. While the remainder which is equal to 34% is influenced by other variables not examined.

C. Hypothesis Testing Results

Hypothesis testing is used to test the causality relationship developed in the model, namely the influence of exogenous variables and intervening variables on

endogenous variables. Testing the hypothesis can be known through the T statistic and P Values in the following table.

Table 9. Hypothesis Testing

Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (| O / STDEV |)	P Values
Liquidity -> Stock Return	-0517	-0498	0225	2299	**0022**
Liquidity -> Capital Structure	-0443	-0477	0177	2505	**0013**
Profitability -> Stock Return	0108	0109	0112	0971	**0332**
Profitability -> Capital Structure	0216	0198	0140	1,545	**0123**
Solvency -> Stock Return	0079	0048	0248	0320	**0749**
Solvency -> Capital Structure	-0399	-0367	0176	2266	**0024**
Capital Structure -> Stock Return	-0403	-0408	0150	2,680	**0008**

Source : Output SmartPLS 3, 2019

The first hypothesis states that the liquidity ratio measured by the current ratio has an influence on stock returns. The test results show that the liquidity variable has a t-statistic value of 2.299, while the t-table value is 1.962 which means the t-statistic value > t-table. While the original sample value is -0.517 means that the direction of the relationship between the liquidity ratio and stock return is negative. Then the liquidity ratio variable affects stock returns with a negative direction, meaning the higher the liquidity ratio, the lower the stock return in other words H1 is accepted.

Liquidity ratio as measured by the current ratio has an influence on stock returns in the negative direction. This is because the lower the liquidity of the company means that the company is unable to meet its short term obligations. The company's inability to meet short-term obligations is not always a negative impact on financial companies. When the financial corporation in good standing of the companies prefer to add short-term debt for the company's operations expected the company to get an increase in profits in the future so the impact on stock returns obtained by the investor. This research is in line with research conducted by (Akram, 2014) states that liquidity negatively affects stock return.

The second hypothesis states that the liquidity ratio measured by the current ratio has an influence on the capital structure. The test results show that the liquidity variable has a t-statistic value of 2.505 while the t-table value is 1.962 meaning the t-statistic value> t-table. While the original value of the sample is -0.443, which means that the relationship between the liquidity ratio and capital structure is negative. Then the variable liquidity ratio affects the capital structure with a negative direction, meaning the higher the liquidity ratio, the lower the capital structure in other words H2 is accepted.

Liquidity ratio as measured by the current ratio has an influence on the capital structure in a negative direction. Companies that have high liquidity, would prefer to use funding from internal sources that utilize its current assets are owned rather than using debt as a funding source. These findings support the Pecking Order Theory which states that the company would prefer to use internal funds to meet its funding needs. The higher the level of liquidity, the use of low increasingly. The research of debt is in line with research conducted by (Andarsari et al., 2016) states that the liquidity negatively affects the capital structure. It is

also in line with recent research carried out by the (Ghasemi & Hisyam Ab Razak, 2016) which states that the liquidity effect on capital structure. In the study conducted by (Šarlija & Harc, 2012) also states that the liquidity effect on capital structure.

The third hypothesis states that the profitability ratio measured by net profit margin has no effect on stock returns. The test results show that the liquidity variable has a t-statistic value of 0.971 while the t-table value is 1.962 meaning the t-statistic value <t-table. Then the variable profitability ratio does not affect stock returns in other words H3 is rejected.

Profitability measured by net profit margin has no influence on stock returns. According to (Fahmi, 2014), potential investors will analyze carefully the smooth running of a company and its ability to benefit (profitability), because they expect the dividend and the market price of its shares. It is inversely proportional to the results of studies that profitability does not affect the stock returns because profitability is no longer a reference in the return of shares acquired by the investor. As reported by (www.bariksa.com) Which states that in 2015 the rupiah to depreciate this have an impact on stock returns obtained by the investor. With the rupiah depreciating companies prefer profits on hold for operations in the coming year rather than distribute them to investors as a form of currency weakening anticipate the future. This research is in line with research done by (Allozi & Obeidat, 2017) NPM which has no effect on stock returns. In the study conducted by (Yustini et al., 2018) and (Jasman & Kasran, 2018) which states that profitability does not affect the stock return.

The fourth hypothesis states that the profitability ratio measured by net profit margin has no influence on the capital structure. The test results show that the profitability variable has a t-statistic value of 1.545 while the t-table value is 1.962 meaning the t-statistic value <t-table. Then the variable profitability ratio does not affect the capital structure in other words H4 is rejected.

Profitability measured by net profit margin did not affect the capital structure. This is consistent with that expressed by Modigliani and Miller that the use of debt will always be more favorable when compared to the use of own capital, mainly by borrowing to banks. Because the banks in setting interest rates are based on the reference in view of the inflation rate to the percentage of the targeted economic growth. This study is inversely related to all research. In that research conducted by (Putri, 2012) states that profitability (ROA) and no significant positive effect on the capital structure. In another study says that profitability and significant positive effect on the capital structure (Hermuningsih, 2001). In the study conducted by (Shahid et al., 2016) stated that profitability has significant relationships and their effect on capital structure. In the study conducted by (Velnampy & Niresh, 2012) states that the positive effect on the profitability of the structure modal. Research conducted by (Handayani et al., 2018) which states profitability negatively affect the capital structure.

The fifth hypothesis states that the solvency ratio measured by the debt ratio has no effect on stock returns. The test results show that the liquidity variable has a t-statistic value of 0.320 while the t-table value is 1.962 meaning the t-statistic value <t-table. Then the solvency ratio variable does not affect stock returns in other words H5 is rejected. Solvency ratio as measured by the debt ratio has no effect on stock returns in a positive direction. This suggests that an increase or decrease in the solvency ratio has no effect on stock returns. This is consistent with the Pecking Order Theory, which states the economic conditions are among the factors that affect the company's capital structure. If the unfavorable economic conditions or instability of the companies prefer to sell the company's assets rather than borrow money to banks. This research is in line with the research conducted by (Allozi & Obeidat, 2017), which states no effect on stock returns. In the study conducted by (Wijaya, 2015) states that leverage has no effect on stock returns. In the study conducted by (Maringka et al., 2016) also stated that the leverage has no effect on stock returns.

The sixth hypothesis states that the solvency ratio measured by the debt ratio has an influence on stock returns. The test results show that the liquidity variable has a t-statistic value of 2.2669 while the t-table value is 1.962 which means the t-statistic value> t-table. While the original sample value is -0.399, which means the direction of the relationship between the solvency ratio and capital structure is positive. Then the solvency ratio variable affects the capital structure with a negative direction, meaning the higher the liquidity ratio, the lower the capital structure in other words H6 is accepted.

Solvency ratio measured by the debt ratio has an influence on stock returns in the negative direction. This is consistent with that expressed by (Sundjaja, 2002) that financial flexibility is a factor related to the company's ability to raise capital on terms that are met in difficult conditions. For example, at the time of entry into force of the tight money policies that led to high-interest rates. In such difficult conditions, it is more advantageous for the company to issue new shares to strengthen its capital structure and improve the stability of the company. So as to increase stock returns received by investors. In this study, in line with the theory that the use of debt is high, can be mirrored by a solvency ratio the higher the profit before interest and taxes which will affect the company's capital structure. Where the company's capital structure consists of long-term debt and short-term debt to increase or decrease the solvency ratio will affect the company's capital structure. This study was conducted by the unidirectional with research (Shahid et al., 2016) states that leverage has a significant relationship and the effect on the capital structure.

The seventh hypothesis states that the capital structure measured by deb to equity has an influence on stock returns. The test results show that the capital structure variable has a t-statistic value of 2.680 while the t-table value is 1.962 meaning the t-statistic value> t-table. While the original value of the sample is -0.403, which means that the relationship between capital structure and stock return is negative. Then the capital structure variable has an effect on stock returns with a negative direction, meaning the higher the capital structure, the lower the stock return in other words H7 is accepted.

The Capital structure as measured by debt to equity has no effect on stock returns in the negative direction. According to (Brealey, Myers, 2007)leverage can enhance returns for our shareholders' expectations but also increases the risk of the stock. According to (Halim, 2005) capital structure policy involves an exchange (trade-off) between risk and return. The use of more debt will increase the risk borne by the shareholders. thus, will lead happened to the higher expectations on return on equity. Therefore, the company will seek to have the optimal capital structure. This research is in line with research conducted by (Salamat & Mustafa, 2016) states that there a negative and significant relationship between capital structure and stock returns. In other research conducted by (Ghi, 2015) states that the capital structure and financial performance have an impact on stock returns.

Table 10. Testing of Intervening Hypothesis

Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (| O / STDEV |)	P Values
Liquidity -> Capital Structure -> Stock Return	0179	0192	0102	1,748	**0081**
Profitability -> Capital Structure -> Stock Return	-0087	-0082	0067	1,297	**0195**
Solvency -> Capital Structure -> Stock Return	0161	0153	0099	1,625	**0105**

Source : Output SmartPLS 3, 2019

The eighth hypothesis states that liquidity measured by the current ratio has no effect on stock returns with capital structure as an intervening variable. The test results show that the Liquidity variable has a t-statistic value of 1.748 while the t-table value is 1.962 meaning the t-statistic value <t-table. Then the variable liquidity has no effect on stock returns with the capital structure as an intervening variable and the direction of a positive relationship in other words H7 is rejected.

Liquidity as measured by the current ratio significantly no influence on stock returns with the capital structure as an intervening variable. This is because an increase in the liquidity ratio and capital structure doesn't affect stock returns obtained by the investor. The greater the obligation owned by the company to meet its operational needs, especially working capital, which is crucial to maintaining the company's performance (Brealey, Myers, 2007)But this has no effect on stock returns is acceptable because factor policies of each company are different. Some are divided into dividends and saved for retained earning.

The ninth hypothesis states that profitability as measured by net profit margin has no effect on stock returns with capital structure as an intervening variable. The test results show that the Liquidity variable has a t-statistic value of 1,297 while the t-table value is 1,962 meaning the t-statistic value <t-table. Then the iprofitability variable has no effect on stock returns with the capital structure as an intervening variable and the direction of the negative relationship in other words H9 is rejected.

Profitability of which is measured by net profit margin has no influence on stock returns with the capital structure as an intervening variable. This study suggests that profitability ratios do not affect the stock return to the capital structure as an intervening variable, in other words, an increase nor a decrease in profitability ratios do not affect stock returns past the capital structure. This is consistent with the Pecking Order Theory, which states the economic conditions are among the factors that affect the company's capital structure and the impact on stock returns earned by investors. When the company's profitability increases but the economic conditions at that time are bad the it causes investors to withdraw funds to reduce the risk they get so that it will reduce the return on share received by investor.

The tenth hypothesis states that the solvency measured by the debt ratio has no effect on stock returns with the capital structure as an intervening variable. The test results show that the solvability variable has a t-statistic value of 1.625 while the t-table value is 1.962 meaning the t-statistic value <t-table. Then the solvability variable has no effect on stock returns with the capital structure as an intervening variable and the direction of a positive relationship in other words H10 is rejected.

Solvency of which is measured by the debt ratio has no effect on stock returns with the capital structure as an intervening variable. This study suggests that the solvency ratio has no effect on stock returns with the capital structure as an intervening variable, in other words, an increase nor a decrease in profitability ratios do not affect stock returns past the capital structure. According to Modigliani and Miller that the use of debt will always be more profitable when compared to use of own capital. Especially by borrowing from banks. The use of debt by the company does not affect stock returns obtained by investors when the company finances are in good condition.

CONCLUSION AND RECOMMENDATION

Based on the results of the data analysis above, the following conclusions are obtained: a) the liquidity ratio has an influence on stock returns with a negative direction. The inability of companies to fulfill short-term obligations does not always have a negative impact on the company's finances. b) the liquidity ratio has an influence on the capital

structure in a negative direction. Companies that have high liquidity, would prefer to use funding from internal sources, namely using current assets instead of using debt as a source of funding. c.) profitability ratios have no effect on stock returns. Because profitability is no longer a reference in the return of shares obtained by investors. But macroeconomic factors are also a reference for consideration in investing. d) profitability ratio does not affect the capital structure. This is in accordance with what was stated by Modigliani and Miller that the use of debt will always be more profitable when compared to the use of own capital. e.) solvency ratio measured by the debt ratio has no effect on stock returns.

This is in accordance with the Pecking Order Theory, which states that economic conditions are one of the factors that influence the company's capital structure. f.) solvency ratio has an influence on stock returns in a negative direction. Financial flexibility is a factor that concerns a company's ability to obtain capital with conditions that can be met under difficult conditions. g.) capital structure has an influence on stock returns in a negative direction. leverage can increase returns expectations for shareholders, but also increase stock risk. h) significant liquidity has no effect on stock returns with the capital structure as an intervening variable. The greater the obligation owned by the company in fulfilling its operational needs, especially working capital which is very important to maintain the performance of the company. i.) profitability has no effect on stock returns with the capital structure as an intervening variable. This is in accordance with the Pecking Order Theory which states that economic conditions are one of the factors that influence the company's capital structure and have an impact on stock returns obtained by investors. j) solvency has no effect on stock returns with the capital structure as an intervening variable. According to Modigliani and Miller that the use of debt will always be more profitable whe compared to use of own capital. Eapecially by borrowing from banks.

For investors, before deciding to invest in certain industrial stocks, the investor should not only refer to the company's financial ratios but also to the company's external factors such as the exchange rate and the country's economic conditions. For the next writer, with variable limitations that the researcher should do further research can examine other object or add new variables so that the influence between variables become higher. For further research, it is recommended to use the regression method in testing hypotheses because of the limited use of the PLS method used by researchers.

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