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THE EFFECT OF PROFITABILITY, SOLVENCY, LIQUIDITY AND FIRM SIZE ON STOCK RETURN

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ABSTRACT

Changes in stock return can be determined by the financial performance of companies that are projected in the company's financial statements. The purpose of this study was to determine the effect of financial performance that seen from the level of profitability, solvency, liquidity and firm size on stock returns at the industrial sector in Indonesia Stock Exchange This research is a quantitative and researched in the Indonesia Stock Exchange. Samples were selected using purposive sampling and obtained a total sample of 21 samples. The analytical method in this study used the Smart PLS software by performing a comparison of the PLS. From this study, it can be concluded that profitability have significant effeck on stock returns, while solvency, liquidity and firm size have no significant effect on stock returns.

Keywords **:** Stock Returns; Profitability; Solvency; Liquidity; Firm Size

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INTRODUCTION

One of the most listed companies on the Indonesian Stock Exchange (BEI) is an industrial company. The industrial sector has an important role in economic growth in Indonesia. Concrete evidence that the industrial sector plays an important role in the running of the economy, includes, among other things, the consistency of its largest contribution to national GDP. In 2020, the contribution of the processing industry sector reached 17.89%. Apart from that, the brilliant performance of the industrial sector is reflected in the achievement of export and investment values.

The movement of shares in the industrial sector fell sharply in 2020 due to the Covid-19 pandemic. As a result of tightening regulations in various sectors, PPKM regulations have had the effect of decreasing investment rates in various business sectors. The uncertainty caused by the pandemic has resulted in many investors being hesitant to start investing, with doubts about whether the investment being made is in line with the conditions and needs of society. Investment in the tourism, entertainment, arts and culture, travel and culinary transportation sectors, which were previously quite popular in DIY, has fallen drastically.

In mid-2020, it began to increase until it returned to normal in early 2021. The industrial sector made the largest contribution to the increase in Indonesia's economic growth, which reached 7.07% in the second quarter of 2021. This sector was the source of the highest growth, namely 1.35%. In this period, the industrial sector itself recorded growth of 6.91% despite experiencing pressure due to the Covid-19 pandemic. This increase in percentage in the industrial sector is influenced by several things, namely profit growth, company performance and company value. Good performance measurement can be done by the level of return generated by the company (Kumala, 2020). The measure of the success of a company's performance is the company's ability to gain profits so that it will influence its stock returns as a market response to the company's good performance. A company's stock returns have an important meaning because they provide information about the company's performance and are positive signals for investors (Ya & Aliamin, 2018).

According to (Septiana & Wahyuati, 2016), by making an investment, investors can have a goal in getting the expected return. The main condition expected by investors to be willing to invest in a company is the level of return that will be obtained. Investors who have invested their funds expect a reward or share return from the transfer of these funds. Stock return is the return of shares and their results from the company to investors who have invested in the company. Stock return is the difference between the stock price at the end of the previous year and the stock price at the end of the following year.

Investors in making investment decisions must consider carefully by looking at the condition of the company from the available financial reports (Zulfikar, 2016). Measurement of a company's condition can be seen in its financial ratios. Financial ratio analysis is future oriented, meaning that financial ratio analysis can be used as a tool to predict financial conditions and also future business results. If the company's financial performance is good, the company will be able to pay dividends to investors so that it can increase the company's share returns.

In this research, profitability is proxied by Return On Assets (ROA). Return On Assets (ROA) which measures a company's ability to generate net profit after tax using the total assets owned by the company. The higher ROA indicates good company performance, because it has an impact on a high rate of return.

Financial ratios that measure a company's ability to meet all obligations, both short-term and long-term debt, are called solvency. In this research, solvency is proxied by the Debt to Assets Ratio (DAR). By using DAR, which is a ratio that measures the value of assets used to cover debts by comparing total debt with total assets, the guarantee to pay off debts or obligations becomes greater.

The liquidity ratio is a ratio that states the company's ability to fulfill its obligations or pay short-term debt. The better the company's current assets, the company has the ability to generate growth in production sales and large profits (returns) (Tumonggor et al., 2017). The types of liquidity ratios that are commonly used in practice to measure a company's ability to fulfill its short-term obligations include the current ratio. The current ratio is a ratio used to measure a company's ability to pay its short-term obligations or debt that is immediately due when it is billed in its entirety (Sutapa, 2018).

The measurement of stock returns or often called stock returns is not only influenced by the company's performance based on its financial ratios, but can be seen from the size of the company. Large companies with various activities and the amount of credit they have in the capital market, provide funds at lower interest rates and can have higher profitability and returns (Pratiwi & Putra, 2015).

LITERATURE REVIEW

Theoretical basis

Signal Theory

Signaling theory (Signaling Theory) was first put forward by Spence in 1973, which explained that the sender (owner of information) provides a signal or signal in the form of information that reflects the condition of a company which is beneficial for the recipient (investor). Signal theory is based on the assumption that the

ISSN: 2828-7975

information received by each party is not the same. In other words, signal theory is concerned with information asymmetry. Signal theory shows that there is information asymmetry between company management and parties with an interest in information. For this reason, managers need to provide information to interested parties through the publication of financial reports. Signal theory suggests how a company should provide signals to users of financial reports.

Agency Theory

Agency theory was first coined by Jensen and Meckling in 1976, which states that an agency relationship occurs when one or more people (principal) employ another person (agent) to provide a service and then delegate decision-making authority. Agency theory is the granting of authority by the company owner (shareholder) to the company management to carry out company operations in accordance with the agreed contract. If both parties have the same interest in increasing the value of the company then management will act in accordance with the interests of the agency company owner between owners and managers (Supriyono, 2018).

Return On Assets (ROA)

According to (Hery, 2016), Return On Assets or return on assets is a ratio that shows how much the contribution of assets is in creating net profit. In other words, this ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total assets. This ratio is calculated by dividing net profit by total assets. The higher the return on assets means the higher the net profit generated from each rupiah of funds embedded in total assets. ROA profitability calculations include the following:

$$Return\ On\ Assets\ (ROA) = \frac{\text{Net Profit}}{}$$

Debt to Assets Ratio (DAR)

According to (Kasmir, 2016), the debt ratio is a ratio used to measure the ratio between total debt to total assets. In other words, the debt ratio aims to make it easier for users of financial reports to measure how much of the company's assets are financed by debt or how much of the company's debt has an influence on asset financing.

$$Debt\ to\ Assets\ Ratio = \frac{Total\ \text{Debt}}{}$$

Current Ratio

Current Ratio or current ratio is a ratio to measure a company's ability to pay short-term obligations or debts that are due when they are collected in full. In other words, how much current assets are available to cover short-term liabilities that are due soon (Kasmir, 2017).

$$Current\ Ratio\ = \frac{\text{Current Asset}}{}$$

Company Size

According to (Sawir, 2015), company size is stated as a determinant of financial structure. Based on this definition, it can be seen that company size is a scale that determines size The small size of the company can be seen from the equity value, sales value, number of employees and total asset value which are context variables that measure the demand for an organization's services or products. Company size (firm size) describes the size of a company as indicated by total assets, number of sales, average sales level and average total assets.

$$Firm\ size = Ln\ Total\ Assets$$

Stock returns

According to (Hartono, 2016), return is the result obtained on investment. Stock returns allow an investor to compare the actual or expected profits of various stocks at the desired level of return. This stock return can be used as an indicator of trading activities in the capital market in determining the value of a share. Apart from that, stock returns are a motivation for an investor to invest capital in a company. The investor's goal in investing is to maximize returns, without forgetting the investment risk factors that they must face. Return is one of the

ISSN: 2828-7975

factors that motivates investors to invest and is also a reward for the investor's courage to bear the risks of the investment they make (Tandelilin, 2017: 113).

Hypothesis Formulation

The Effect of Return on Assets on Stock Returns

Return On Assets (ROA) shows the company's ability to generate profits from each asset used by the company and shows a measure of management effectiveness in managing funds invested by investors. Investors expect a high level of return on the funds they invest (Fahmi, 2012). In investment, what investors want is profit so that the company's ability to generate high profits will increase the company's attractiveness in the eyes of investors so that demand for company securities increases and share prices also increase. When share prices increase, stock returns will also increase.

This is supported by signal theory, if ROA shows a high number, it will be a good signal for investors or good news, because if the ROA number shows a high number, it means that the company's financial performance is good, then investors will be interested in investing their funds. or investing shares in the company.

This is in accordance with research conducted by Putra & Dana (2016), Mayuni & Suarjaya (2018), Raningsih & Putra (2015) and Dewi & Sudiartha (2018) which proves that ROA has a significant positive effect on stock returns. However, this is different from research by Parawansa et al., (2019) and Winedar (2020) which shows that ROA results have a significant negative effect on stock returns. Meanwhile, research by Putro (2020) proves that ROA has no significant positive effect on stock returns.

The Effect of DAR on Stock Returns

Debt to Assets Ratio (DAR) is a ratio used to assess debt versus all assets and is able to provide general guidance about the company's financial feasibility and risks. Investors tend to avoid shares that have a high DAR because a high DAR value reflects a relatively high company risk (Kasmir, 2012). The lower a company's DAR, the better the company's performance will be and this will have an effect on increasing stock returns.

However, increasing debt can also be beneficial for the company. Agency theory states that increasing funding with debt will reduce the amount of conflict between shareholders and management, besides that debt will also reduce the excess cash flow in the company thereby reducing the possibility of waste being carried out by management. Management will try to improve its performance to optimize the company's income so that more cash flow is available and to be able to pay the company's debt and interest expenses. This will align management interests with shareholder interests.

This is in accordance with research conducted by Putro (2020) which shows that the Debt to Assets Ratio has a significant positive effect on stock returns. However, this is different from research by Winedar (2020) which shows that the Debt to Assets Ratio has a significant negative effect on stock returns. Meanwhile, research by Rohpika & Fhitri (2020), Noviyanti & Zarkasyi (2021) and Karla et al. (2020) which shows that the Debt to Assets Ratio has no significant positive effect on stock returns.

The Effect of Current Ratio on Stock Returns

Current Ratio shows the company's ability to fulfill the company's short-term obligations or debts using its current assets. The greater the ratio of current assets to current liabilities, the higher the company's ability to cover its short-term debt. The better it is at meeting its short-term debt, the better the company's ability to provide stock returns to investors. So investors will be interested in companies that can meet their short-term debt.

This is supported by signal theory, where the higher a company's ability to pay its short-term obligations will provide a good signal or good news to investors to invest in the company.

This is in accordance with research conducted by Dewi & Sudiartha (2018) which shows that the current ratio has a significant positive effect on stock returns. Meanwhile, research by Raningsih & Putra (2015) and Winedar (2020) shows that the current ratio has a significant negative effect on stock returns. Meanwhile, research conducted by Karla et al., (2020) shows that the current ratio has no significant positive effect on stock returns. This is different from research by Rohpika & Fhitri (2020) which shows that the current ratio results do not have a significant negative effect on stock returns.

The Influence of Company Size on Stock Returns

Company size shows that the larger and more established a company is, the greater opportunities it will have in the capital market, and vice versa. Investors will have more confidence in large companies to invest their excess funds, because large companies make investors more confident in entrusting their business' survival rate to be more secure and there is very little chance of bankruptcy than investing their capital in small companies. This

ISSN: 2828-7975

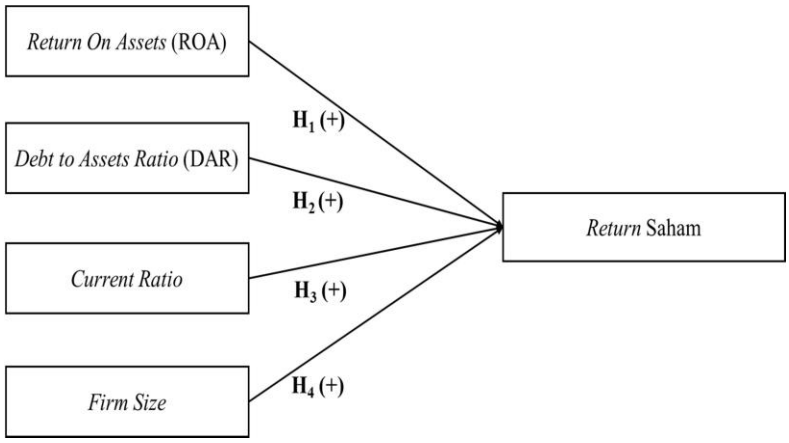
shows that the more investors who intend to buy shares in large companies, the higher the company's share price and the level of stock returns will also increase.

The explanation above is in line with the understanding of signal theory, the larger a company that shows good company performance will provide a positive signal to investors so that investors will invest their shares in the company which will influence share prices and stock returns.

This is in accordance with research conducted by Putra & Dana (2016) and Dewi & Sudiartha (2018) proving that company size has a significant positive effect on stock returns. Meanwhile, research conducted by Parawansa et al., (2019) proves that company size has a significant negative effect on stock returns.

Framework

The following is the framework for this research which uses Return On Assets (ROA), Debt to Assets Ratio (DAR), Current Ratio and Company Size as independent variables and stock returns as the dependent variable.



RESEARCH METHODS

Place and time of research

This research was carried out by taking data from several sites, including the Indonesian Stock Exchange (BEI) and the official websites of companies listed on the Indonesian Stock Exchange (BEI) for the period 2017 to 2021. This research was conducted from August to February 2022.

Population and Sample

The population listed in this research are industrial sector companies listed on the Indonesia Stock Exchange during the period 2017 to 2021. Based on the data obtained, there are 37 companies in the population. The sampling technique used was purposive sampling. There are several sample selection criteria as follows:

Kriteria Pengambilan Sampel	Jumlah Perusahaan
Perusahaan sektor perindustrian yang terdaftar di bei	37
Perusahaan sektor perindustrian yang memiliki laporan keuangan yang lengkap periode 2017 – 2021	(16)
Jumlah sampel yang memenuhi kriteria	**21**

ISSN: 2828-7975

Operational Research Variables
In this research, there are several operational research variables, namely:

Variabel Penelitian	Formula	Skala
Profitabilitas (X_1)	$ROA = \frac{Laba\ Bersih\ Setelah\ Pajak}{Total\ Aktiva}$	Rasio
Solvabilitas (X_2)	$DAR = \frac{Total\ Hutang}{Total\ Aktiva}$	Rasio
Likuiditas (X_3)	$CR = \frac{Harta\ Lancar}{Hutang\ Lancar}$	Rasio
Ukuran Perusahaan (X_4)	$Ukuran\ Perusahaan = Ln\ (Total\ Asset)$	Rasio
Stock Return (Y)	$Return\ Saham = \frac{P_t - P_{t-1}}{P_{t-1}}$	Rasio

Data Analysis Techniques Descriptive Analysis
Descriptive statistical analysis provides an overview or description of the data seen from the average (mean), standard deviation, variance, maximum and minimum values of each variable (Ghozali, 2016).

Normality test
According to (Ghozali, 2016), the normality test is carried out to test whether in a regression model, an independent variable and a dependent variable or both have a normal or abnormal distribution. The data normality test can be carried out using the One Sample Kolmogorov Smirnov test, namely if the significance value is above 5% or 0.05 then the data has a normal distribution. Meanwhile, if the One Sample Kolmogorov Smirnov test results produce a significant value below 5% or 0.05 then the data does not have a normal distribution.

Multicollinearity Test
According to (Ghozali, 2016), multicollinearity testing aims to find out whether the regression model found any correlation between independent variables or independent variables. To find out whether or not there is multicollinearity in the regression model, it can be seen from the tolerance value and variance inflation value factor (VIF). The Tolerance value measures the variability of the selected independent variable that cannot be explained by other independent variables. So a low tolerance value is the same as a high VIF value, because VIF = 1/tolerance, and indicates there is high collinearity. The cut off value used is a tolerance value of 0.10 or a VIF value above 10.

Coefficient of Determination Test
According to (Ghozali, 2016), the coefficient of determination (R2) essentially measures how far the model's ability to explain the dependent variables. The coefficient of determination value is between zero or one. If the adjusted R^2 value obtained is closer to 1, it can be said that the independent variables can explain the strong influence on the dependent variable. On the other hand, if the adjusted R^2 value obtained is getting further away from 1, it can be said that the independent variables are considered unable to explain the strong influence on the dependent variable.

Hypothesis Test (T Test)
Hypothesis testing (t-test) is used to show how far the influence of individual independent variables is in explaining variations in the dependent variable. By using a significance level of 5%, the test criteria are: If the significance value of t <0.10, then H0 is rejected (meaning that there is a significant influence between one independent variable on the dependent variable). If the significance value of t> 0.10, then H0 is accepted (meaning that there is no significant influence between an independent variable on the dependent variable).

Multiple Linear Regression Test
Multiple linear regression analysis is a linear relationship between two or more independent variables (X1,X2,X3...Xn) and the dependent variable (Y). This analysis is to predict the value of the dependent variable if the value of the independent variable increases or decreases and to determine the direction of the relationship between the independent variable and the dependent variable, whether each independent variable is positively or negatively related. The multiple linear regression equation is as follows (Susanto Salim, 2020):

$$Y = a + b1X1 + b2X2 + b3X3 + b4X4 + e$$

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Keterangan :
Y = *Return* Saham (Y)
a = Konstanta
X1 = ROA
X2 = DAR
X3 = CR
X4 = Ukuran Perusahaan
e = Error
b1, b2, b3, b4, b5 = Koefisien regresi linear berganda.

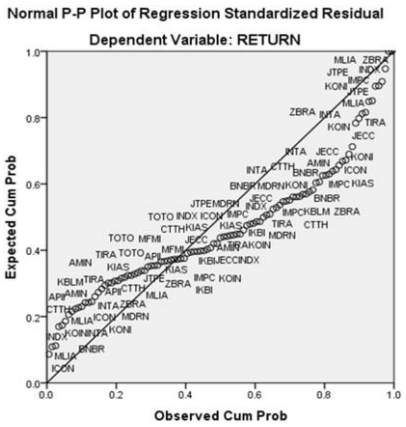
RESULTS AND DISCUSSION

Descriptive Analysis

No.	Nilai Rata - Rata Variabel					
	2017	2018	2019	2020	2021	
1	ROA		-0,07	-0,03	0,01	-0,05	0,03
2	DAR		0,69	0,64	0,66	0,71	0,62
3	CR		8,86	21,61	1,71	1,87	4,09
4	Firm Size		26,95	27,00	26,99	26,91	27,26
5	Return Saham		-0,02	0,04	-0,02	-0,09	0,59

Based on table 3, the highest average ROA value was 0.03 in 2021 and the lowest in 2017 was -0.07. The highest average value of DAR was 0.71 in 2020 and the lowest value in 2021 was 0.62. The highest average CR value was 21.61 in 2018 and the lowest in 2019 was 1.71. The highest average value for Firm Size was 27.26 in 2021 and the lowest in 2020 was 26.91. The highest average value of Stock Return was 0.59 in 2021 and the lowest in 2020 was -0.09.

Data Normality Test



From the Normal P-P Plot of Regression Standardized Residual image, it can be seen that the round dots move away from the diagonal line so it can be concluded that the research data is not normal.

ISSN: 2828-7975

One-Sample Kolmogorov-Smirnov Test

Unstandardized Residual

N 105

Normal Parameters[a,b]	Mean	.100965
	Std. Deviation	.6446468
Most Extreme Differences	Absolute	.222
	Positive	.222
	Negative	-.161
Kolmogorov-Smirnov Z		2.276
Asymp. Sig. (2-tailed)		.000

Sumber : Data Olahan SPSS

Based on table 4 above, you can see the results of the Kolmogorov-Smirnov normality test, namely the Asymp.sig.(2-tailed) value of 0.000 < 0.05, meaning the data is not normally distributed. The conclusion from this normality test is that testing using the SPSS 22 program cannot be continued, and is replaced by using the Smart PLS 4.0 program.

Multicollinearity Test

Variabel	VIF	Keterangan
Return On Assets	1.615	Tidak ada multikolinearitas
Debt to Assets Ratio	1.289	Tidak ada multikolinearitas
Current Ratio	1.648	Tidak ada multikolinearitas
Firm Size	1.118	Tidak ada multikolinearitas

Based on table 5 above, it can be seen that Return On Assets, Debt to Assets Ratio, Current Ratio, and Firm Size have VIF values < 10, so it can be concluded that there is no multicollinearity between the independent variables in this study.

Coefficient of Determination Test (R2)

Tabel 6. Hasil Uji Koefisien Determinasi

	R-square	R-square adjusted
Return	0,050	0,012

Based on table 6 above, it can be seen that the Adjusted R2 value is 0.012 or 1.2%. This means that the variables Return On Assets, Debt to Assets Ratio, Current Ratio and Company Size together have an influence on Stock Returns of 1.2%, while the remaining 98.8% is influenced by other variables not examined in the research This.

Hypothesis Test Results

	Original sample (O)	~~Hipotesis~~	T statistics (|O/STDEV|)	P values
Return On Assets -> Return	0,178	Positif	1887	0,059
Debt to Assets Ratio -> Return	-0,033	Positif	0,340	0,734
Current Ratio -> Return	0,044	Positif	0,466	0,641
Firm Size -> Return	-0,153	Positif	0,935	0,350

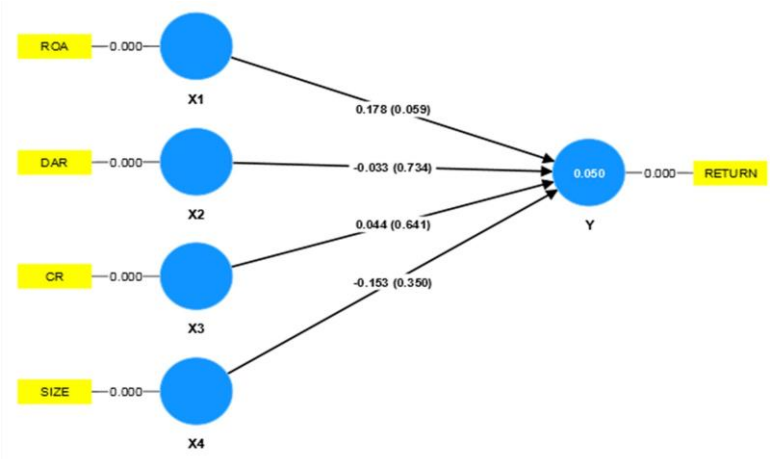
ISSN: 2828-7975

Effect of Return on Assets on Return:
H0: βi ≤ 0, meaning that there is no significant positive influence between ROA on industrial sector stock returns for the 2017 – 2021 period.
H1: βi ≥ 0, meaning that there is a significant positive influence between ROA on stock returns in the industrial sector for the period 2017 – 2021.
Based on the data in table 7, it can be seen that ROA has P values of 0.059, which is smaller than alpha 0.10, so it can be concluded that H0 is rejected and H1 is accepted. Which means that ROA has a significant positive effect on stock returns.

Effect of Debt to Assets Ratio on Return:
H0: βi ≤ 0, meaning that there is no significant positive influence between DAR on industrial sector stock returns for the 2017 – 2021 period.
H2: βi ≥ 0, meaning that there is a significant positive influence between DAR on industrial sector stock returns for the 2017 – 2021 period.
Based on the data in table 7, it can be seen that DAR has P values of 0.734 which are greater than alpha 0.10, so it can be concluded that H0 is accepted and H2 is rejected. Which means that DAR has no significant negative effect on stock returns.

Effect of Current Ratio on Return:
H0: βi ≤ 0, meaning that there is no significant positive influence between CR on stock returns in the industrial sector for the period 2017 – 2021.
H3: βi ≥ 0, meaning that there is a significant positive influence between CR on stock returns in the industrial sector for the period 2017 – 2021.
Based on the data in table 7, it can be seen that CR has P values of 0.641 which are greater than alpha 0.10, so it can be concluded that H0 is accepted and H3 is rejected. Which means that CR has no significant positive effect on stock returns.

Influence of Firm Size on Returns:
H0: βi ≤ 0, meaning that there is no significant positive influence between Firm Size on stock returns in the industrial sector for the period 2017 – 2021.
H4: βi ≥ 0, meaning that there is a significant positive influence between Firm Size on stock returns in the industrial sector for the period 2017 – 2021.Based on the data in table 7, it can be seen that Firm Size has a P Value of 0.350 which is greater than alpha 0.10, so it can be concluded that H0 is accepted and H4 is rejected. Which means that Firm Size does not have a significant negative effect on stock returns.



Multiple Linear Regression Test Results

ISSN: 2828-7975

	Original sample (O)
Return On Assets -> Return	0,178
Debt to Assets Ratio -> Return	-0,033
Current Ratio -> Return	0,044
Firm Size -> Return	-0,153

Based on the SmartPLS calculation results which can be seen in table 8, the following multiple linear regression equation is obtained:

$$Y = 0{,}178X_1 - 0{,}033X_2 + 0{,}044X_3 - 0{,}153X_4$$

Y = *Return*
X_1 = *Return On Assets* X_2 = *Debt to Assets Ratio* X_3 = *Current Ratio*
X_4 = *Firm Size*

With the regression equation above, it can be interpreted that: (1) Regression variable Return on Assets = 0.178. This means that Return On Assets has a coefficient of 0.178 which is positive. This means that if Return On Assets increases by 1 unit, the return variable will increase by 0.178 with a positive coefficient value. (2) Regression of the Debt to Assets Ratio variable = -0.033. This means that the Debt to Assets Ratio has a negative coefficient of 0.033. This means that if the Debt to Assets Ratio increases by 1 unit, the return variable will decrease by 0.033 with a negative coefficient value. (3) Regression variable Current Ratio = 0.044. This means that the Current Ratio has a positive coefficient of 0.044. This means that if the Current Ratio increases by 1 unit, the return variable will increase by 0.044 with a positive coefficient value. (4) Regression for the variable Firm Size = -0.153. This means that Firm Size has a coefficient of 0.153 which is negative. This means that if Firm Size increases by 1 unit, the return variable will decrease by 0.153 with a negative coefficient value.

Discussion of Research Results

The Effect of Return On Assets on Stock Returns

Based on hypothesis testing, the results show that the return on assets variable has a significant positive effect on stock returns. Increasing ROA means that the company's performance is getting better and the market and investors will respond by buying shares, as a result, the company's share price will increase. As share prices increase, the company's share returns also increase. This is supported by signal theory which is a good signal or good news for investors to invest their funds or invest shares in the company.

The results of this research are in accordance with research conducted by Putra & Dana (2016), Mayuni & Suarjaya (2018), Raningsih & Putra (2015) and Dewi & Sudiartha (2018) which proves that ROA has a significant positive effect on stock returns. However, this is different from research by Parawansa et al., (2019) and Winedar (2020) which shows that ROA results have a significant negative effect on stock returns. In contrast to research by Putro (2020) which proves that ROA does not have a significant positive effect on stock returns.

The Effect of Debt to Assets Ratio on Stock Returns

Based on hypothesis testing, the results show that the debt to assets ratio variable has an insignificant negative effect on stock returns. The greater the DAR indicates the greater the level of dependence on external parties and has an impact, where more debt will cause the company to be less healthy and the company's interest expense will be greater, which will have a negative impact on profit generation. This will ultimately reduce stock returns. An increase in debt is in line with agency theory which states that an increase in debt will reduce the amount of conflict between shareholders (principals) and management (agents), besides that debt will also reduce the excess cash flow in the company thereby reducing the possibility of waste being carried out by management.

The results of this research are similar to research conducted by Winedar (2020) which shows that the Debt to Assets Ratio has a significant negative effect on stock returns. This is different from research by Putro (2020) which shows that the Debt to Assets Ratio has a significant positive effect on stock returns. Meanwhile, research conducted by Rohpika & Fhitri (2020), Noviyanti & Zarkasyi (2021) and Karla et al. (2020) shows that the Debt to Assets Ratio does not have a significant positive effect on stock returns.

The Effect of Current Ratio on Stock Returns

Based on hypothesis testing, the results show that the current ratio variable has a positive and insignificant effect on stock returns. If the company's liquidity increases, it means the company is able to pay off its short-term obligations, but this is followed by an increase in current assets. However, high liquidity also often reflects that companies have accumulated too many of their assets in cash, inventory and current liabilities, which means that

ISSN: 2828-7975

companies are less able to rotate their assets. This reduces the company's opportunity to obtain increased income, thereby causing a decrease in returns. This is a bad signal for investors. The current ratio, which should act as a guide given by management to investors, failed to make investors interested in the company.

The results of this research are in accordance with research conducted by Karla et al., (2020) which shows that the current ratio has no significant positive effect on stock returns. This is different from research by Dewi & Sudiartha (2018) which shows that the current ratio has a significant positive effect on stock returns. Meanwhile, research by Raningsih & Putra (2015) and Winedar (2020) shows that the current ratio has a significant negative effect on stock returns. Meanwhile, research conducted by Rohpika & Fhitri (2020) shows that the current ratio results do not have a significant negative effect on stock returns.

The Influence of Company Size on Stock Returns

Based on hypothesis testing, the results show that the firm size variable has an insignificant negative effect on stock returns. If the amount of assets owned by a company is not managed well by a company for the company's operational activities, it will not be able to generate large profits. Profits that are not optimal will cause share prices to decline. Therefore, the size and size of an asset owned by a company will not be able to predict the amount of profit that will be obtained by a company and the income that will be obtained by investors. This causes investors to be disinterested in looking at the size of the assets owned by the company when making an investment decision. The size of the company, which is proxied by assets, which should act as a good guide (good news) given by management to investors, fails to make investors interested in the company. Investors look at investors considering investing their funds. not only looking at a company's assets, but still considering other things such as financial decisions. The size of the company as measured by assets does not indicate that the company will have bright prospects.

The results of this research are similar to research conducted by Raningsih & Putra (2015), Mayuni & Suarjaya (2018) and Parawansa et al., (2019) that company size does not have a significant effect on stock returns. However, this is contrary to research conducted by Putra & Dana (2016) and Dewi & Sudiartha (2018) which states that company size has a significant positive effect on stock returns.

CLOSING

Based on the data analysis that has been carried out and the discussions described in the previous chapters, the results of this research can be concluded as follows: (1) Return on Assets has a significant positive effect on stock returns in industrial companies listed on the Indonesia Stock Exchange in the 2017 period. - 2021. (2) Debt to Assets Ratio has an insignificant negative effect on stock returns in industrial companies listed on the Indonesia Stock Exchange in the period 2017 - 2021. (3) Current Ratio has an insignificant positive effect on stock returns in industrial companies listed on Indonesian Stock Exchange in the 2017 - 2021 period. (4) Company size has an insignificant negative effect on stock returns in industrial companies listed on the Indonesian Stock Exchange in the 2017 period – 2021.

This research has been carried out in accordance with scientific procedures, but there are still limitations, namely the small number of samples and a relatively short observation period, causing this research data to not be normally distributed or not meet the assumption of data normality, so it was transferred to using the Smart PLS 4.0 application.

Based on the results of this research, suggestions that can be used as input for investors, companies and future research are: (1) For companies/issuers, companies should increase profit growth and reduce operational costs so that the amount of profit obtained will have an impact on the level of return, so that investors believe in investing both in the short and long term. (2) For investors, when assessing companies that are investment targets, they should not only pay attention to the level of return on assets, debt to assets ratio, current ratio and size of the company but they should also pay attention to things that can influence them so that investment decisions are made appropriately. (3) For further research, it would be better to use a larger sample and add other independent variables, as well as using a longer company financial reporting period

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