

# **ANALYSIS OF THE EFFECT OF LIQUIDITY, SOLVABILITY, ACTIVITY, AND PROFITABILITY ON STOCK RETURN (Empirical Studies on Property, Real Estate and Building Construction Companies Listed on the IDX in 2014-2018)**

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**Abstract** - This study aims to determine the effect of liquidity, solvency, activity and profitability on stock returns in property, real estate and building construction companies listed on the Indonesia Stock Exchange in 2014-2018. The population of this study were all property, real estate and building construction companies listed on the IDX in 2014-2018, after sampling with a purposive sampling method, 25 sample companies were obtained. Furthermore, the data is analyzed using panel data regression analysis using the Eviews application version 10.

After collecting and analyzing data, the results of research on hypothesis testing prove that: (i) liquidity (CR) has a significant positive effect on stock returns, (ii) solvency (DER) has a negative and insignificant effect on stock returns, (iii) activity (TATO) ) has a significant negative effect on stock returns, and (iv) profitability (ROE) has a significant positive effect on stock return.

**Keywords:** Liquidity, Solvency, Activity, Profitability, Stock Returns.

## **I. INTRODUCTION**

The capital market has a big role for the economy of a country because the capital market has two functions at once, namely an economic function and a financial function. The capital market is said to have an economic function because it provides facilities or a vehicle that brings together two interests, namely those who have excess funds and those who need funds (issuers). With the capital market, parties who have excess funds can invest these funds, with the hope of obtaining returns in the form of dividends and capital gains, while the issuer (in this case the company) can use these funds for investment purposes without having to wait for the availability of funds from company operating activities. The capital market is said to have a financial function because the capital market provides the possibility and opportunity to get a return for the owner of the funds, according to the characteristics of the chosen investment. (Wardiyah 2017:14).

The rapid development of the capital market shows that stock investment in Indonesia is growing and in demand. Various instruments in the capital market can be an alternative for investing. Investing in Indonesia requires deeper education, especially in terms of how to invest in the capital market. Most of the people in Indonesia view that investing in the capital market is like gambling. This negative view has gradually diminished with the socialization of the Indonesia Stock Exchange and from PT. Indonesian Central Securities Depository regarding the convenience, benefits and importance of investing in the capital market. The Indonesia Stock Exchange (IDX) invites all Indonesians through the "Yuk Nabung Saham" (YNS) campaign to start investing in the

capital market by providing knowledge to the public about the ins and outs of capital market investment. The IDX wants to raise awareness of the importance of investing in stocks, because increasing the number of local investors will also improve the economy of the Indonesian people. ([www.idx.co.id](http://www.idx.co.id) accessed on 24 May 2020). The motivation of an investor in investing in stocks is to get benefits, either in the form of capital gains or dividends. Capital gain is the profit an investor gets when the investor sells his shares at a price higher than the purchase price. Dividends are a portion of the company's profits distributed to shareholders for a certain period. The establishment of a company certainly has a purpose. The goal of a company is to maximize the wealth or value of the company for shareholders. Good company performance can be reflected in good corporate financial reports. The better the company performance, the stock return will also increase and that means the higher the optimism level of the company related to the goals of the company itself, namely to maximize the prosperity of shareholders and the welfare of these employees. Company performance problem is a very important issue for every company. Because the good and bad company performance will have a direct effect on the company's financial position. A company that has poor performance and has internal and external problems will give a heavy burden to the company concerned.

In implementing and developing a business, companies need capital which has two basic forms of financing, namely own capital (retained earnings and ownership of the company) which means internal sources and debt which means external sources. Internal sources, namely funds originating from within the company, with the intention of fulfilling capital requirements taken from funds generated by the company itself. In this case the internal source is the main source to finance fixed asset investment or capital expenditure. However, the funds that come from within the company are limited in number so that they are not sufficient to meet the needs of the company. Therefore, the company is looking for additional funds from external sources, namely funds from outside the company by borrowing from creditors and offering investors to invest their funds. Under President Jokowi's leadership, the property, real estate and building construction sectors are one of the industrial sectors in Indonesia that have great potential as a place to invest. Because in 2019, the infrastructure spending budget is IDR 420 trillion. This figure increased by 157% from 2014 which was only IDR 163 trillion. With such large funds the government has succeeded in carrying out various kinds of infrastructure development for its people, such as: (i) dams, (ii) irrigation, (iii) reservoirs, (iv) national roads, (v) toll roads, (vi) bridges, (vii) suspension bridges, (viii) drinking water supply systems, (ix) sanitation and solid waste, (x) housing, (xi) flat houses, (xii) special houses, and (xiii) independent houses. With this, the government continues to strive to encourage national economic growth, one of which is done by accelerating unfinished infrastructure development. The acceleration of infrastructure development is meant to be the progress of the country. Infrastructure plays an important role in increasing economic growth, because higher economic growth is found in areas with sufficient levels of infrastructure availability ([www.cnbcindonesia.com](http://www.cnbcindonesia.com) accessed on 24 August 2020). Encouraging the acceleration of infrastructure development is not without reason, because infrastructure has an important effect on improving the quality of life and human welfare, among others in increasing the value of consumption, increasing labor productivity and access to employment, as well as increasing real prosperity and realizing macroeconomic stabilization, namely, sustainability. fiscal, developing credit markets, and their effects on the labor market. The large number of investors who start investing in property, real estate and building construction companies will allow development companies to get equity capital to carry out large projects for company income.

Investors who will invest by buying shares in the capital market will analyze the condition of the previous company in order to get a return. One of the ways that investors use to get stock returns is by analyzing fundamentals and technicalities. Another thing that also affects stock returns is from a macroeconomic perspective and / or policies made by the government. To be able to read, understand, and understand the meaning of financial statements, it is necessary to first analyze it with various analytical tools commonly used (Kasmir, 2019:4). By using financial statement analysis, especially for business owners and management, various things related to the company's finances and progress can be identified. Business owners can find out the company's financial condition and assess the current management's performance, whether it has reached the

predetermined targets or not. Meanwhile, for management, the financial statements are a reflection of their financial condition and performance during the reporting period. The results of this analysis also provide an overview as well as can be used to determine the direction and goals of the company. This means that financial reports can be used as a reference in making decisions and matters that are considered important by management. Financial analysis tools that are commonly used are financial ratios such as: liquidity ratios (Ningsih, 2017), solvability ratios (Salim, 2016), activity ratios (Nofitasari, 2020), profitability ratios (Nurfinda, 2014), analysis of gross profit, and other ratios (Kasmir, 2019:5).

Companies that have little investment opportunities will tend to reduce dividends, but with a high level of assets and investor funds, companies will tend to increase dividends due to the availability of more funds. The greater the level of company size, the greater the probability of the dividend payout rate.

By looking at the background that has been expressed by the researcher, the researcher is interested in conducting this research, the researcher chooses to use property, real estate and building construction sector companies. Encouraging the acceleration of infrastructure development is not without reason, because infrastructure has an important effect on improving the quality of life and human welfare, among others in increasing the value of consumption, increasing labor productivity and access to employment, as well as increasing real prosperity and realizing macroeconomic stabilization, namely, sustainability. fiscal, developing credit markets, and their effects on the labor market.

## **II. THEORETICAL BASIS**

### **2.1. Stock**

Stocks are one of the most popular financial market instruments. Issuing shares is one of the company's options when deciding to fund the company. On the other hand, stocks are an investment instrument that many investors choose because they are able to provide attractive returns ([www.idx.com](http://www.idx.com) accessed on 24 May 2020).

According to Azis (2015: 76), shares can be defined as a sign of participation or ownership of individual investors or institutional investors or traders on their investment or a number of funds invested in a company. The characteristics of shares include being able to obtain dividends, have voting rights at the general meeting of shareholders (GMS), it is possible to have preemptive rights (HMETD) or a right issue, and there is the potential for capital gain or capital loss.

#### **2.1.2. Stock Return**

Stock returns are the profits that companies, individuals and institutions receive from the results of their investment policies. Returns can be in the form of realized returns that have occurred or expected returns that have not occurred but which are expected to occur in the future (Samsul, 2016:291).

In the investment world, it is known that there is a strong relationship between risk and return, that is, if the risk is high, the return will also be high, and vice versa, if the return is low, the risk will also be low (Fahmi, 2014: 450). Meanwhile, according to Brigham and Houston (2019: 56), the return or rate of return is the difference between the amount received and the amount invested divided by the amount invested. According to Jogiyanto (2014: 206), the systematic calculation of stock returns is as follows:

$$R_t = \frac{P_t - P_{t-1} + D_t}{P_{t-1}} \quad (1)$$

Where:

$R_t$  = Stock return in year t

$P_t$  = closing price of shares at the end of year t

$P_{t-1}$  = closing price of shares at the end of year t -1

$D_t$  = Dividends received for a certain period

## **2.2. Signalling Theory**

According to Noor (2015: 30), signal theory or signaling theory is the impact of information asymmetry. Signal theory is a theory that explains how the company signals to the parties with an interest in the information. Signals are given by the company regarding the company's performance in financial and non-financial aspects and the achievement of the performance that has been achieved by management and realizing the expectations and decisions of shareholders.

Signal theory shows the existence of information asymmetry between company management and various interested parties. Information asymmetry can occur between two extreme conditions, namely small differences in information that do not affect management, or differences that are very significant so that they can affect management and share prices (Sartono, 2015:89).

## **2.3. Definition of Financial Ratios**

Financial ratios are activities to compare the numbers in the financial statements. Comparisons can be made between one component in one financial report or between components that exist between financial statements. Then, the numbers being compared can be figures in one period or several periods (Kasmir, 2019: 104).

According to Ross et al (2015: 62), financial ratios are relationships that are determined from the company's financial information and are used for comparison purposes. According to Fahmi (2014: 107), this financial ratio is very important for analyzing the company's financial condition. Short-term and medium-term investors are generally more interested in short-term financial conditions and the company's ability to pay adequate dividends. This information can be found out simply by calculating financial ratios as desired.

## **2.4. Current Ratio (CR)**

Current ratio is a financial ratio to measure the company's ability to pay short-term obligations or debt that is due immediately when they are collected as a whole. In other words, how many current assets are available to cover short-term liabilities that are due soon. The current ratio can also be said as a form of measuring the level of security (margin of safety) of a company. Calculation of the current ratio is done by comparing total current assets with total current debt (Kasmir, 2019: 134).

According to Ross et al (2015: 27), liquid assets are usually less profitable to store. For example, cash owned by a company is the most liquid asset of the entire investment, but cash often does not give any return at all, it just becomes cash.

The formula for finding the current ratio can be used as follows:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (2)$$

## **2.5. Debt to Equity Ratio (DER)**

*Debt to equity ratio* (DER) is the ratio used to evaluate debt in comparison to equity. This ratio is obtained by comparing all debt, including current debt, to all equity. This ratio is useful for knowing the amount of funds provided by the borrower (creditor) and the company owner. For banks (creditors), the greater this ratio, the more unfavorable this ratio will be because the greater the risk of failure that may occur in the company. However, for the company the bigger the ratio the better. Conversely, with a low ratio, the higher the level of funding provided by the owner and



the greater the limit of security for the borrower in the event of a loss or depreciation of the asset value (Kasmir, 2019: 160).

In other words, this ratio serves to find out every rupiah of own capital that is used for debt collateral (Kasmir, 2019: 160). According to Ross et al (2015: 67), the formula for finding the Debt to Equity Ratio (DER) can be used to compare total debt to total equity as follows:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equities}} \quad (3)$$

## **2.6. Total Asset Turn Over (TATO)**

Menurut Hery (2016:25), *total asset turn over* is the ratio used to measure how many sales are generated from each rupiah of funds embedded in total assets.

Total asset turnover (TATO) is a ratio used to measure the turnover of all assets owned by a company which reflects how much is obtained from each rupiah of assets (Kasmir, 2019: 187)

According to Ross et al (2015: 71), the formula for finding total asset turnover (TATO) is as follows:

$$\text{Total asset turn over} = \frac{\text{Sales}}{\text{Total Assets}} \quad (4)$$

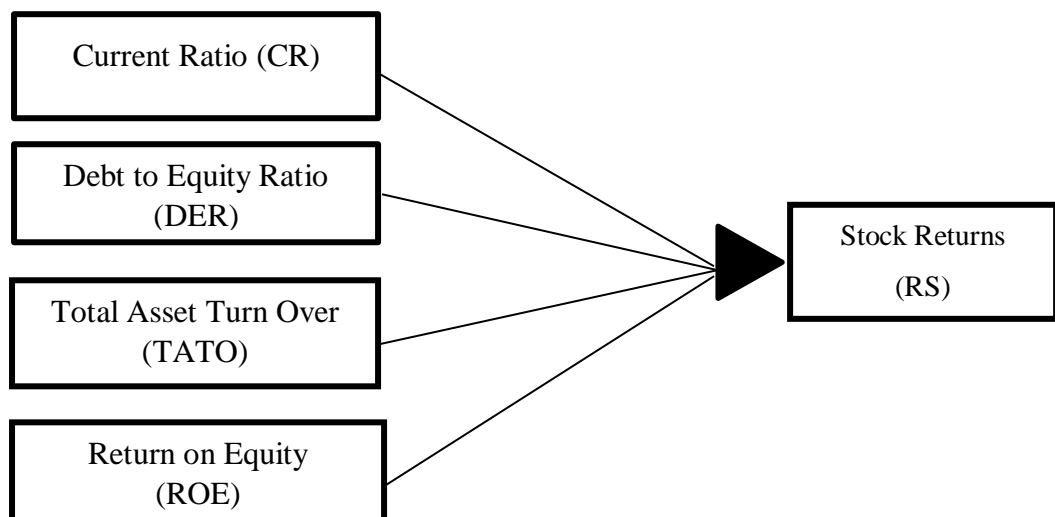
## **2.7. Return on Equity (ROE)**

Return on equity (ROE) is the ratio to measure net profit after tax with own capital. This ratio shows the efficient use of own capital. The higher this ratio, the better. This means that the position of the company owner is getting stronger, and vice versa (Kasmir, 2019: 206).

According to Hery (2016: 107), ROE is a ratio that shows how much equity contributes to creating net income. The higher the return on equity, the higher the amount of net profit generated from every rupiah of funds that is embedded in equity. According to Ross et al (2015: 73), the formula for finding ROE can be used as follows:

$$ROE = \frac{\text{Net Profit}}{\text{Total Equities}} \quad (5)$$

## **2.8. Conceptual Framework**



### **III. RESEARCH METHODS**

This study uses a quantitative method with an associative causality approach, which tests the effect of several independent variables on the dependent variable. The independent variables of this study are: (i) current ratio (CR), (ii) debt to equity ratio (DER), (iii) total asset turnover (TATO), (iv) return on equity (ROE), while the dependent variable is the stock return.

The focus of this research is the effect of current ratio (CR), debt to equity ratio (DER), total asset turnover (TATO) and return on equity (ROE) on stock returns of property, real estate, and building construction companies in the Indonesia Stock Exchange during 2014-2018 period.

The population of this study is property, real estate, and building construction companies listed on the Indonesia Stock Exchange in 2014-2018, totaling 54 companies in a 5 year period.

The sampling technique in this study was to use purposive sampling technique. Purposive sampling is a sampling technique used by researchers if the researcher has certain considerations in taking the sample or determining the sample for a specific purpose (Alfabeta, 2013:63).

The research sample is taken after meeting the applicable criteria for the application of variable definitions. The sample selection is based on certain criteria, the following sample criteria can be taken to represent the population:

- i. The number of companies engaged in property, real estate, and building construction on the IDX 2014-2018.
- ii. Companies that do not publish their financial reports on the IDX.
- iii. Companies that have not distributed dividends in the last five years.



**Tabel 1. Research Sampel**

No	Company Code	Company
1	ACST	Acset Indonusa Tbk
2	ADHI	Adhi Karya (Persero) Tbk
3	APLN	Agung Podomor Land Tbk
4	ASRI	Alam Sutera Realty Tbk
5	BEST	Bekasi Fajar Industrial Estate Tbk
6	BKSL	Sentul City Tbk
7	BSDE	Bumi Serpong Damai Tbk
8	CTRA	Ciputra Development Tbk
9	DART	Duta Anggada Realty Tbk
10	DGIK	Nusa Konstruksi Enjiniring Tbk
11	DILD	Intiland Development Tbk
12	GMTD	Gowa Makasar Tourism development Tbk
13	JKON	Jaya Kontruksi Manggala Pratama Tbk
14	JRPT	Jaya Real Property
15	KIJA	Kawasan Industri Jababeka
16	MDLN	Moderland Realty Tbk
17	MTLA	Metropolitan Land Tbk
18	NRCA	PT. Nusa Raya Cipta Tbk
19	PLIN	Plaza Indonesia Realty Tbk
20	PTPP	PP (Persero) Tbk
21	PWON	Pakuwon Jati Tbk
22	SMRA	Summarecon Agung Tbk
23	TOTL	Total Bangun Persada Tbk
24	WIKA	Wijaya Karya (Persero) Tbk
25	WSKT	Waskita Karya (Persero) Tbk

Source: processed data (2020)

The data used in this study are secondary data, namely data obtained from materials available in books, journals, magazines, IDX annual reports and others related to this study. In accordance with the data and samples used, the data collection method uses annual financial reports published by go public companies through the Indonesia Stock Exchange for the period 2014-2018.

Data collection in this study used several data collection methods, as follows:

1. Literature Study

By reading the literature that is generally related to the object of research, research results, and other sources related to this research.

2. Online Research (Internet Research)

Collecting data from related sites to obtain additional literature and other data related to this research. The author obtains the necessary data from the company, namely from the annual financial statements listed on the Indonesia Stock Exchange for the period 2014-2018. This data can be obtained using the Indonesia Stock Exchange website (<https://www.idx.co.id> accessed on 24 May 2020).

3. Documentation

Is a record of events that have passed. Documents can be in the form of writings, pictures, or monumental works of a person. Documents in the form of writing include diaries, life histories, stories, biographies, regulations, and policies.

## **IV. RESEARCH RESULTS AND DISCUSSION**

### **4.1. Data Statistical Analysis**

Descriptive analysis used in this study, namely, maximum, minimum, mean, median and standard deviation. Based on the results of statistical tests, 125 data were obtained from the results of the study between the study period, namely 5 years from the 2014-2018 period with a total sample of 25 companies. The results of descriptive statistics in this study are:

**Tabel 2. Data Statistical Deskriptive**

	Stock Returns	CR	DER	TATO	ROE
Mean	0.0966	1.7693	1.4281	0.4049	0.5461
Median	-0.0260	1.3883	1.0628	0.2725	0.5152
Maximum	2.6636	7.7597	5.1130	1.8047	1.0000
Minimum	-0.5956	0.1476	0.2820	0.0408	0.2199
Std. Dev.	0.4949	1.2745	0.9587	0.3328	0.1457
Observations	125	125	125	125	125

Source: Processed Data (2020)

Based on Table 2, it can be explained that descriptive statistical analysis is used to determine the minimum value, maximum value, median (middle value), mean (average value) and standard deviation of each variable. Observation data is taken from the financial statements of property, real estate and building construction companies listed on the IDX for the 2014-2018 period so that 125 observations are obtained. The results of the descriptive analysis are explained as follows:

The liquidity variable as measured by the current ratio (CR) has an average value of 1.7693 with a standard deviation of 1.2745. Where the standard deviation value is smaller than the average value, this indicates that the level of volatility or the level of risk of deviation from the current ratio is low. With the lowest value (minimum) of 0.1476 while the highest value (maximum) was 7.7597.

The solvency variable as measured by the debt to equity ratio (DER) has an average value of 1.4281 with a standard deviation of 0.9587. Where the standard deviation value is lower than the average value, this indicates that the level of volatility or the level of risk of deviation from the debt to equity ratio is low. The lowest value (minimum) is 0.2820 while the highest value (maximum) is 5.1130.



The activity variable as measured by total asset turnover (TATO) has an average value of 0.4049 with a standard deviation of 0.3328. Where the standard deviation value is lower than the average value, this indicates that the level of volatility or the level of risk of deviation from total asset turnover is low. The lowest value (minimum) is 0.0408 while the highest value (maximum) is 1.8047.

The profitability variable as measured by return on equity (ROE) has an average value of 0.5461 with a standard deviation of 0.1457. Where the standard deviation value is lower than the average value, this indicates that the level of volatility or the level of risk of deviation from return on equity is low. The lowest value (minimum) is 0.2199 while the highest value (maximum) is 1.0000.

#### **4.2. Panel Data Regression Model Selection Test**

**Tabel 3. The Results of Hausman Test**

Correlated Random Effects - Hausman Test

Equation: REM

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.227911	4	0.0157

Source: Processed Data (2020)

Based on the results of the Hausman test in Table 3, it shows that the probability value of random cross-section is  $0.0157 < 0.05$ , so  $H_0$  is rejected. Thus, the most appropriate model used to estimate the regression equation is the fixed effect model (FEM).

#### **4.3. Multicollinearity Test**

**Tabel 4. The Results of Multicollinearity Test**

Variance Inflation Factors

Date: 08/24/20 Time: 11:48

Sample: 1 125

Included observations: 125

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
CR	0.001180	3.344022	1.136428
DER	0.006524	11.51029	3.556100
TATO	0.016028	2.623616	1.052935
ROE	0.292082	55.75705	3.679223

Source: Processed Data (2020)

Based on table 4, the regression model does not have a tolerance value  $\leq 0.10$  or equal to a VIF value  $\geq 10$ . This means that if  $VIF < 10$  then there is no multicollinearity more than 0.85 between independent variables and it can be said to be free from multicollinearity.

#### 4.4. Heteroscedasticity Test

**Tabel 5. The Results of Heteroscedasticity Test *Cross-Section Test***

Pan̄T̄Cross-section Heteroskedasticity LR Test  
Null hypothesis: Residuals are homoskedastic  
Equation: FEM\_FINAL  
Specification: RETURN\_SAHAM C CR DER TATO ROE

	Value	df	Probability
Likelihood ratio	60.70311	25	0.0001

Source: Processed Data (2020)

Based on the results of the heteroscedasticity test in table 5, the cross section test shows the likelihood ratio value of 60,70311 which has a probability value of 0.0001 <0.05, these results indicate that the error has heteroscedasticity symptoms.

**Tabel 6. The Results of Heteroscedasticity Test *Period Test***

Pan̄T̄Period Heteroskedasticity LR Test  
Null hypothesis: Residuals are homoskedastic  
Equation: FEM\_FINAL  
Specification: RETURN\_SAHAM C CR DER TATO ROE

	Value	df	Probability
Likelihood ratio	88.69270	25	0.0000

Source: Processed Data (2020)

Based on the results of the heteroscedasticity test in table 6. the period test shows the likelihood ratio value of 88.69270 which has a probability value of 0.0000 <0.05, these results indicate that the error is a symptom of heteroscedasticity.

#### 4.5. Correlation Test

**Tabel 7. The Results of Correlation Test**

N	K	dL	Du	dw	4 - du	4 - dL	Conclusion
125	4	1,6426	1,7745	2,25590 6	2,2255	2,3574	there is no correlation

Source: Processed Data (2020)

Based on table 4.5 above, it can be seen that the durbin watson test value generated by the regression model is 2.255906 where the value is between du <dw <4-du. While for the number of samples (n) 125 and the number of independent variables 4 (k = 4), a lower limit is obtained with a table value (dL) of 1.6426 and an upper limit (dU) of 1.7745, it can be concluded that there is no autocorrelation. and results are received.

**Tabel 8. The Results of Cross Correlation**

Residual Cross-Section Dependence Test  
Null hypothesis: No cross-section dependence (correlation) in residuals  
Equation: FEM\_FINAL  
Periods included: 5  
Cross-sections included: 25  
Total panel observations: 125  
Note: non-zero cross-section means detected in data  
Cross-section means were removed during computation of correlations

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	618.0334	300	0.0000
Pesaran scaled LM	12.98366		0.0000
Pesaran CD	11.79209		0.0000

Source: Processed Data (2020)

Based on table 8. above, it can be seen that the null hypothesis does not have cross section dependence, which means that there is no correlation error between companies. In the table there are also three types of tests, of the three tests, the three of them say significant, which means that the null hypothesis that no cross section dependence is rejected, in other words, there is a problem of cross dependence test. white cross - section standard error and covariance.

#### **4.6. Panel Data Regression Analysis**

The test results of multiple linear regression analysis using Eviews version 10. After conducting the Hausman test, it can be seen that the correct approach used in this study is the fixed effect model (FEM). In addition, because the results of the classical assumption test show that the research data suspects the occurrence of heteroscedasticity symptoms either due to cross section data, period tests and cross-correlation problems, the panel data regression estimation is carried out using white cross-sectional standard error and covariance.

**Tabel 9. Panel Data Regression Analysis**

Dependent Variable: RETURN\_SAHAM  
 Method: Panel EGLS (Cross-section weights)  
 Date: 08/24/20 Time: 11:54  
 Sample: 2014 2018  
 Periods included: 5  
 Cross-sections included: 25  
 Total panel (balanced) observations: 125  
 Linear estimation after one-step weighting matrix  
 White cross-section standard errors & covariance (d.f. corrected)  
 WARNING: estimated coefficient covariance matrix is of reduced rank

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.607363	0.239810	-2.532680	0.0129
CR	0.163716	0.028701	5.704141	0.0000
DER	-0.078935	0.058785	-1.342773	0.1825
TATO	-1.357805	0.111001	-12.23235	0.0000
ROE	1.971662	0.414114	4.761156	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.595411	Mean dependent var	0.088365	
Adjusted R-squared	0.477406	S.D. dependent var	0.624040	
S.E. of regression	0.455495	Sum squared resid	19.91769	
F-statistic	5.045642	Durbin-Watson stat	2.255906	
Prob(F-statistic)	0.000000			

Source: Processed Data (2020)

#### 4.7. Determination Coefficient Test (R<sup>2</sup>)

Based on table 9, it can be seen that the R-squared value is 0.595411 which indicates that the dependent variable (stock return) can be explained by the independent variable (CR, DER, TATO, and ROE) of 59.54%. While the remaining 40.46% is influenced by other variables which are not analyzed in the regression equation model in this study.

#### 4.8. Individual Significance Test (t Statistical Test)

The t test aims to see the level of statistical significance of a variable on the dependent variable, namely stock returns. With a significant level of  $0.05 / 2 = 0.025$  (two-sided test) and  $df = (n-k-1) = (125-4-1) = 120$ , the t-table is 1.97993. The results of the analysis in order to test the hypothesis can be seen in table 9 as follows:

Based on table 9, it can be seen that the calculation results of each independent variable on the dependent variable can be described as follows:

1. The variable current ratio (CR) has a significant positive effect on stock returns of property, real estate, and building construction companies listed on the Indonesia Stock Exchange in 2014-2018.
2. The debt to equity ratio (DER) variable has a negative and insignificant effect on the stock returns of property, real estate and building construction companies listed on the Indonesia Stock Exchange in 2014-2018.

3. The variable total asset turnover (TATO) has a significant negative effect on the stock returns of property, real estate, and building construction companies listed on the Indonesia Stock Exchange in 2014-2018.
4. The variable return on equity (ROE) has a significant positive effect on stock returns of property, real estate, and building construction companies listed on the Indonesia Stock Exchange in 2014-2018.

## **V. CONCLUSION AND SUGGESTION**

### **5.1. Conclusion**

This study aims to find empirical evidence about the effect of liquidity (CR), solvency (DER) and (Debt Ratio), activity (TATO), and profitability (ROE) on stock returns, with a total sample of 25 property, real estate and building companies. constructions listed on the Indonesia Stock Exchange in 2014-2018. Based on the research results, the results of the analysis of the first, second, third and fourth hypotheses were obtained, as follows:

1. Current ratio (CR) has a significant positive effect on stock returns.
2. Debt to equity ratio (DER) has no significant negative effect on stock returns.
3. Total asset turnover (TATO) has a significant negative effect on stock returns.
4. Return on equity (ROE) has a significant positive effect on stock returns.

### **5.2. Suggestion**

Based on data processing and data results in this study, the researchers provide suggestions, including:

1. Share future research

We recommend that you add or replace the sample used in research or add other sectors, so that the results of the research are expected to represent all companies listed on the Indonesia Stock Exchange.

Further research can also add to the variable current ratio (CR), debt to equity ratio (DER), debt to asset ratio (debt ratio), total asset turnover (TATO) and return on equity (ROE) because basically it is not just a variable. that is an indicator in the effect of stock returns. Therefore, it should encourage or motivate further researchers to explore more factors that affect stock returns.

2. For the company

This research can be used as a reference for management in making company policies and decisions to increase company profits. The company is expected to improve company performance, develop the company, and generate maximum profits, by paying attention to the use of debt, company development, and making strategies so that sales will be even better in the future.



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