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Effect of Liquidity and Activities with Profitability as Intervening Variables to Share Return in Manufacturing Companies Listed in Indonesia Stock Exchange

Dra. Elisabeth

Lecturer, Faculty of Economic, Catholic University of St. Thomas North Sumatera, Indonesia

Abstract:

This study aims to examine the effect of Liquidity, Activities with Profitability as an intervening variable to Return Shares in Manufacturing companies listed on the Indonesia Stock Exchange. The sample used in this research is 34 companies. This research uses secondary data with documentation technique obtained from Indonesia Capital Market Directory (ICMD). There are two similarities developed in this study. The first equation to test the effect of liquidity and activity on stock returns on manufacturing companies listed on the Indonesia Stock Exchange. While in the second equation is entered intervening variable, that is profitability to test consistency influence of liquidity and activity to stock return. The analysis technique used linear regression analysis and statistical hypothesis test and statistical F statistic.

The result of hypothesis test shows that liquidity has positive and insignificant effect to stock return on manufacturing company listed in Indonesian Stock Exchange, activity has positive and insignificant effect to stock return on manufacturing company listed in Indonesia Stock Exchange. Simultaneously liquidity and activity have a significant effect on stock return on manufacturing companies listed in Indonesia Stock Exchange. The result of intervening analysis shows that liquidity and activity with profitability as intervening variable indirectly affect stock return on manufacturing companies listed in Indonesia Stock Exchange

Keywords: Liquidity, activity, profitability, stock return

1. Introduction

A measure of the success of a company's performance is the company's ability to earn profits so that it will affect its stock return as a market response to good corporate performance. A company that stands certainly has a clear purpose. There are several things that suggest the purpose of the establishment of a company. The first goal is to achieve maximum profit (profit). The second goal is to prosper the owner of the company or the shareholders and the third goal is to maximize the value of the company as reflected in its stock price. The three goals of the company are actually substantially not much different. It's just that the emphasis to be achieved by each company is different from one to another (Harjito and Martono, 2005). Companies have a way or strategy to attract the number of investors and increase the stock price, one of them is by evaluating the factors that affect the increase of stock returns. Stock return is the result of investment. According to Usman (1994) the capital market is complementary in the financial sector to two other institutions namely banks and financing institutions. The capital market provides its services that is to bridge the relationship between the owners of capital in this case is called as the investor (investor) with the borrower of funds in this case is called by the name of issuers (companies that go public). The stock market has a variety of financial assets that offer different levels of profit and risk. Public / public involvement in capital markets is by buying shares offered in the capital market. The owners of the capital markets or investors can choose the type of financial assets they want, of course with the hope that the investment is able to provide optimal benefits to them. Investing in capital markets requires not only more complex thinking and more complex information, but also risks that are relatively large when compared to forms of deposits in the banking system. Therefore, usually the expected return on stock investments is relatively greater than the interest rate deposits in banks in general.

Investors in investing in funds require a variety of useful information to predict investment returns in the capital market. To conduct the analysis and select the stock must use the market approach, one of which is the fundamental approach. The approach is mainly shown to factors that are generally outside the capital market, which may affect future stock prices. Matters included in the fundamental approach include economic and industrial analysis, individual company valuation either by using research variables such as dividends or income (income). The expectation from investors to their investment is to get the highest return with certain risk. The return can be either capital gains or dividends for investment in stocks and interest income for investment in debt securities. Return is an indicator to improve the prosperity of investors, including the shareholders and can be used as a measuring tool to measure the success of the company

Return is divided into two, the first is the return of realization which is the return that has occurred which is calculated based on historical data and used as one of the measuring tools of corporate performance and the second is the return of expectations is the expected return by investors in the future (Hartono, 2010: 2). If the company achieves a good performance, then the stock of the company will be much in demand by investors. Good achievements achieved by the company can be seen in the financial statements published by companies issuers. This financial report is very useful for investors to assist in making investment decisions, such as selling, buying, and planting shares. Horrigan (1965) in (Tuasikal, 2001) states that financial ratios are useful for predicting corporate financial hardships, operating results, current and future corporate financial condition, and as a guide for investors regarding past and future performance. The analysis of financial statements includes calculation and interpretation of financial ratios. Financial ratios can be calculated from the content of financial information in the financial statements so as to indicate the strength of the company.

Ratio analysis is oriented to the future, meaning that the ratio analysis can be used as a tool for predicting the financial situation as well as future business results. Financial ratios are divided into four, namely the liquidity ratio, solvency ratio, activity ratio, and profitability ratios. These financial ratios are used to explain strengths and weaknesses in predicting stock returns in the capital market. In this research, writer will use three financial ratios that is liquidity ratio with indicator of current ratio, activity ratio with indicator in the form of total asset turn over, and profitability ratio with indicator of return on assets (ROA).

The liquidity ratio will use the current ratio as an indicator. Current ratio (CR) is the most common measure of the company's ability to pay off debt in the short run. The reason researchers choose current ratio as a measure of liquidity ratios, because in previous studies the current ratio is the most common benchmark and the most frequently used to determine the ability of a company in fulfilling its short-term obligations.

Ratio activity will use the total asset turnover as an indicator. Total asset turnover is the ratio used to measure how efficiently all of the company's assets are used to support sales activities (Brigham & Houston, 2006). The reason researchers choose total asset turnover as a measure of activity ratio, because according to the research ratio of total asset turnover is the most appropriate ratio used to determine the effectiveness of the use of the company's operating assets in generating sales

Furthermore in this research, profitability variable with return on asset return (ROA) used as intervening variable to know consistency influence of liquidity and activity to stock return. According to Tandelilin Eduardus (2001: 240), from an investor's point of view, one important indicator for assessing the future prospects of a company is to look at the extent of the company's profitability growth, one of which is return On assets (ROA). Profitability ratios one of the techniques that can be applied in analyzing financial data to evaluate the company's position. Researchers choose return on assets as a benchmark of profitability, because this indicator is very important note to know the extent to which assets owned company can generate profits which will affect the increase in stock prices and able to provide returns in accordance with the level desired investors, return on assets Measurement of the company's overall ability to generate profits with the total assets available in the company.

2. Formulation of the Problem

The formulation of the problem in this research is whether liquidity and activity affect the stock return with profitability as Intervening variable at manufacturing companies listed in Indonesia Stock Exchange.

3. Research Purposes

To know and prove empirically the influence of liquidity and activity to stock return with profitability as Intervening variable at manufacturing company listed in Indonesia Stock Exchange.

4. Theoretical Basis

4.1. Fundamental Analysis

Fundamental Analysis is the activity of researching the financial condition to know better about the operation of the company that issued the shares. Fundamental analysis is a method of valuation of stock prices using financial analysis and economic analysis to estimate stock price movements. In fundamental analysis there are two approaches that are usually done, the first top down approach, which is an approach that starts from the macro-economic level then the situation and growth of the industry and the last is the situation and growth of the company itself. The second approach is a bottom up that is the opposite of top down, an approach that starts from a micro level (company) which then develops to industry analysis and the last is macroeconomic analysis. Fundamental analysis focuses on financial ratios and events that directly or indirectly affect the firm's financial performance.

4.2. Financial Statement Analysis

The financial statements are written reports that provide quantitative information about the financial position and its changes, as well as the results achieved over a specified period. Financial information is useful for investment decisions, credits, and other like decisions, financial reporting and other additional information such as analytical reports, economic statistics, articles or news about the company. Financial reporting itself consists of areas that are affected by standards issued by the Financial Accounting Standards Board (FASB) and other forms of financial reporting such as management analysis and letters to shareholders. Financial statement positioning information is primarily provided in the balance sheet, and financial performance information is primarily provided in the income statement.

4.3. Financial Ratio Analysis

Financial analysis requires several benchmarks based on the financial condition and achievement of the company. The commonly used benchmark is ratio analysis, which links the two financial data to one another. Financial ratios are used to compare the risks and returns of various firms to help investors and creditors make sound investment and credit decisions (White et al., 2002). Ratio analysis is one of the most popular and widely used financial analysis tools. One way to do financial analysis is to study the relationship between various estimates in financial statements that are expressed by numbers called ratios. These ratios are important for both internal and external analysis and assess the company and the financial statements the company has announced. The ratio can indicate a company's profile, economic characteristics, competitive strategy and unique characteristics of operations, finance and investment. Home (2005) in Iiyasa Um (2016).

The types of financial ratios used in this study are classified into three types of financial ratio groups, ie: (a) Liquidity Ratio, (b) Activity Ratio and (c) Profitability Ratio

4.4. Liquidity Ratio

The ratio of the liquidity is the ability of the company to pay its short-term debt obligations on time, including paying off the long-term debts maturing in the year. The liquidity ratio is further divided into several types, including current ratio, quick ratio, absolute liquidity ratio. But in this study, which will be used to measure the level of liquidity of a company is the current ratio.

Current ratio (ratio current) is the ratio between total current assets (asset current) on the one hand with current liabilities on the other. Current ratio (CR) is one of the most common tools used by analysts to measure the level of corporate liquidity, especially to measure the ability of a company to meet or pay off short-term debt .. If current assets grow larger, then the current ratio of a higher company . A low current ratio is usually considered to indicate the occurrence of a liquidation problem, in which the company is in a difficult position to pay its current liabilities, otherwise the current ratio too high is not good, too high current ratio indicates inefficient cash management Sawir, 2009: 10). As stated above, current ratio (CR) if formulated as follows:

$$\text{Current ratio (CR)} = (\text{Current Assets}) / (\text{Current Debt}) \dots\dots\dots (2.1)$$

4.5. Activity Ratio

Activity ratio (activity ratios) is to measure how effectively the company utilizes all the resources that exist in its control. The activity ratio describes the relationship between the operating level of the company (sales) and the assets needed to support the operations of the company. The activity ratio can also be used to predict the capital required by a company (for both operating and long-term activities). Activity can be measured using the Total Assets Turnover rate (total asset turnover). Total assets turnover is a ratio that describes the asset turnover is measured from sales volume. So the greater the ratio the better it means that assets can more quickly spin and achieve profits and show more efficient use of overall assets in generating sales (Sartonso, 2001). Total asset turnover is formulated as follows:

$$\text{TAT} = \text{Sales} / (\text{Total Assets}) \dots\dots\dots (2.2)$$

4.6. Profitability Ratio

Profitability Ratio represents the company's ability to generate profit over a certain period. Profitability ratio is the ratio between the net income of the firm to the investment or the equity used to earn the profits of the company. There are six types of measurement in profitability ratios, namely gross profit margin, net profit margin, operating return on assets, return on equity, return on assets, and operating ratios. But in this study, researchers will only use return on assets (ROA) as a benchmark to calculate the profitability of the company. Return on asset (ROA) shows the effectiveness of the company in managing assets either from their own capital or from loan capital, investors will see how effectively a company in managing assets. The higher level of return on assets (ROA), the better (Sartonso, 2001), meaning that the high return on assets (ROA) will affect the interest of investors in making the investment that will affect the volume of sales of the company's shares. Return on assets (ROA) is formulated as follows:

$$\text{ROA} = (\text{Net Income}) / (\text{Total Assets}) \dots\dots\dots (2.3)$$

4.7. Stock Returns

Return is the result of an investment. Return of shares represents the rate of return in the form of returns earned from the sale and purchase of shares. Stock returns are divided into two types: return realization and expected return. Return realization is a return that has occurred that is calculated based on historical data. Return expectations are expected returns will be obtained by investors in the future. The value of return is often used is the total return, return is basically divided into two types namely capital gain / loss and yield. Capital gain is the difference between the current investment price and the price of the past period. If the investment price is now higher than last year's investment price means capital gains and vice versa. Yield is the percentage of periodic cash receipts to the investment price (Jogiyanto, 2010).

In this study used as a benchmark of stock return is the stock price, the stock price is obtained from the closing price of the annual stock (close price) as of December 31, then the stock return can be calculated as follows:

$$\text{Return of stock} = (\text{Pt} - \text{Pt-1}) / (\text{Pt-1}) \dots\dots\dots (2.4)$$

4.7.1. Information

Pt: closing price of the year stock t

Pt-1: the closing price of the year stock to t-1

In this study, researchers will use the annual closing price that is obtained from the annual financial statements listed on the Indonesia Stock Exchange.

The Influence of Liquidity on Stock Return

4.7.2. Influence Activity against Stock Return

The activity ratio is the ratio that measures how effective the company is in utilizing all of its resources. Total assets turnover is a comparison between sales with total assets of a company where this ratio describes the speed of rotation of total assets in a certain period. This total asset turnover is important for the creditors and owners of the company, but it will be even more important for the company's management, as it will show the efficient use of all the assets in the company. Total Asset Turnover (TAT) is the ratio used to measure how efficiently all of the company's assets are used to support sales activities (Brigham & Houston, 2006). So the greater the ratio the better it means that the assets can more quickly spin and achieve profits and show more efficient use of overall assets in generating sales.

4.7.3. The Influence of Liquidity on Stock Return

Liquidity is an indicator of the company's ability to pay all short-term financial liabilities at maturity by using current assets available. According to Sartono (2001: 293), that "a company that is experiencing growth and profitable will require substantial funds, therefore it may be less liquid because the funds obtained are more invested in fixed assets and permanent assets are permanent. (Sawir, 2009: 10). The company's liquidity level as measured by the current ratio is in good condition, giving an indication that the company is in good shape because it is able to pay all short-term obligations on time, thus giving a positive impact or influence on stock returns.

4.7.4. The Effect of Profitability on Stock Return

Profitability ratio is a ratio that aims to generate the company's ability to generate profits over a certain period and also provides an overview of the level of management effectiveness (profit) in carrying out its operations. According to Brigham and Houston (2006: 107), profitability is the end result of a number of policies and decisions made by the company. Return on Asset used to measure the ability of management in generating profit as a whole. ROA is used to measure the effectiveness of companies in generating profits through the operation of assets Owned company. High return on assets (ROA) shows that companies are increasingly effective in generating net income when measured by corporate assets / debtors. The higher return on assets shows better corporate performance and shareholders will benefit dividends.

4.7.5. Influence of Liquidity and Activities with Profitability as Intervening Variable to Stock Return

Liquidity indicates a company's ability to pay all short-term financial liabilities at maturity by using current assets available. Companies in general can increase profitability which then raise share prices so as to improve the welfare of shareholders and build greater growth potential (Walsh, 2004: 118). Companies with a stable current ratio continue to strive to maintain investor confidence by managing the funds so as to be able to pay off debt. Activities show the level of efficiency and effectiveness of asset management in generating sales that ultimately can improve the profitability of the company. One reflection of the activity ratio is Total Asset Turnover will affect the achievement of profit and ultimately be able to give a signal in the capital market so that stock return issuers will increase.

5. Research Methods

5.1. Population and Sample

The population is the total number of objects to be studied. The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (BEI), as many as 143 companies during the period 2013-2015. The sample is a portion of the population that has the same relative characteristic as is considered to be representative of the population. To determine the sample size of the Slovin formula as follows:

$$N = N / \left[\frac{1 + N e^2}{e^2} \right] \quad (3.1)$$

Information :

N = Population Size

n = Sample Size

E = Standard error limit (15%)

The minimum sample size can be calculated as follows:

$$N = 143 / \left[\frac{1 + (0.15)^2}{(0.15)^2} \right] \quad n = 33.9 \text{ Or } 34$$

Sample used in this research is 34 company.

No	Sector	Population	Number of Samples
1	Basic industries and chemicals	65	$65/143 \times 34 = 15$
2	Various industries	41	$41/143 \times 34 = 10$
3	Industrial consumer goods	37	$37/143 \times 34 = 9$
	Total	143	34 companies

Table 1: Sampling with Proportional Random Sampling

Source: Indonesian Capital Market Directory (Data processed by the author), 2017

No	Company Code	Company Name
1	AISA	PT. Tiga Pilar Sejahtera Food Tbk.
2	AKPI	PT. Argha Karya Prima Industry Tbk
3	ALDO	PT. Alkindo Naratama Tbk
4	AMFG	PT. Asahimas Flat Glass Tbk
5	ARNA	PT. Arwana Citramulia Tbk.
6	ASGR	PT. Astra Graphia Tbk
7	ASII	PT. Astra International Tbk
8	AUTO	PT. Astra Otoparts Tbk
9	BRAM	PT. Indo Kordsa Tbk
10	CEKA	PT. Wilmar Cahaya Indonesia Tbk
11	CPIN	PT. Charoen Pokphand Indonesia Tbk
12	CTBN	PT. Citra Tubindo Tbk
13	DLTA	PT. Delta Jakarta Tbk
14	DPNS	PT. Duta Pertiwi Nusantara Tbk
15	DVLA	PT. Darya Varia Laboratoria Tbk
16	EKAD	PT. Ekadharma International Tbk
17	GGRM	PT. Gudang Garam Tbk
18	HMSP	Pt. Hanjaya Mandala Sampoerna Tbk
19	ICBP	PT. Indofood CBP Sukses Makmur Tbk
20	IGAR	Pt. Champion Pasific Indonesia Tbk
21	IKBI	PT. Sumi Indo Kabel Tbk
22	INDF	PT. Indofood Sukses Makmur Tbk
23	INKP	PT. Indah Kiat Pulp & Paper Tbk
24	INTP	PT. Indocement Tunggal Prakasa Tbk
25	IPOL	PT. Indopoly Swakarsa Industry Tbk
26	KAEF	PT. Kimia Farma (Persero) Tbk
27	KLBF	PT. Kalbe Farma Tbk
28	LION	PT. Lion Metal Works Tbk
29	MERK	PT. Merck Tbk
30	MTDL	PT. Metrodata Electronics Tbk
31	SMGR	PT. Semen Indonesia (Persero) Tbk
32	TOTO	PT. Surya Toto Indonesia Tbk
33	UNVR	PT. Unilever Indonesia Tbk
34	WIIM	PT. Wismilak Inti Makmur Tbk

Table 2: List of Manufacturing Companies that become Sample Research
Source: Indonesian Capital Market Directory

6. Operational Variables

Problems to be studied, the variables that will be analyzed in this research:

6.1. Independent Variable

Liquidity Ratio. Liquidity ratio is a ratio that describes the ability of the company to meet its short-term liabilities (less than one year), the liquidity ratio can be reduced by Current Ratio (expressed ratio) expressed in percentage (%).

$$\text{Current ratio (CR)} = (\text{Current Assets}) / (\text{Current Debt}) \dots\dots\dots(3.2)$$

6.2. Activity Ratio

Activity ratio (activity ratios) is to measure how effectively the company utilizes all the resources that exist in its control. The activity ratio can be measured using the Total Assets Turn Over rate (total asset turnover) expressed in units of time. Total asset turn over is formulated as follows:

$$\text{TAT} = \text{Sales} / (\text{Total Assets}) \dots\dots\dots (3.3)$$

6.3. Dependent Variable

Stock returns. Return of shares represents the rate of return in the form of returns earned from the sale and purchase of shares. Stock Return can be seen from the price of stock obtained from the closing price of the annual price (close price) as of December 31, the closing price of annual stock (closing price) in percentage (%).

$$\text{Return of stock} = (\text{Pt}-\text{Pt}-1) / (\text{Pt}-1) \dots\dots\dots (3.4)$$

6.3.1. Information

Pt: closing price of the year stock t

Pt-1: the closing price of the year stock to t-1

Intervening Variable: Profitability

The ratio of profitability commonly referred to as the profitability ratio. Profitability ratio is the ratio between the net income of the firm to the investment or the equity used to earn the profits of the company. In this study, researchers will only use return on assets (ROA) as a benchmark to calculate the profitability of companies where expressed in percentages (%).

$$ROA = (\text{Net Income}) / (\text{Total Assets}) \dots\dots\dots (3.5)$$

7. Data Collection Technique

The method of collecting data for the purposes of this research is done by documentation method, documentation method which is done by collecting all required financial data about manufacturing company published in Indonesia Stock Exchange through Indonesian Capital Market Directory (ICMD).

7.1. Data Analysis Technique

Data analysis method used in this research is using linear regression analysis test. Path analysis according to Ghozila (2013) is the development of multiple regression and bivariate analysis. The regression equation in path analysis involves exogenous and endogenous variables and possible testing of intervening variables. The structural equation in this research is as follows:

$$ROA = \beta_0 + \beta_1CR + \beta_2TAT + e_1 \dots\dots\dots (3.6)$$

$$RS = \beta_0 + \beta_3CR + \beta_4TAT + \beta_5ROA + e_2 \dots\dots\dots (3.7)$$

7.2. Information

RS: Return of stock

B0: Constants

CR: Current Ratio

TAT: Total assets turn over

ROA: Return on Asset

β1-5: Standardized Coefficient

E1-2: Error of Term or nuisance variable

In equation 3.6 will give indirect effect independent variable (CR, TAT) to dependent variable (RS) through intervening variable (ROA). While in equation 3.7 will give direct influence value of independent variable (CR, TAT and ROA) to variable Dependent (RS).

8. Research Result and Discussion

8.1. Hypothesis Testing

The analysis technique used is linear regression which is useful to know the effect of correlation coefficient value (R) and determinant coefficient value (R Square)

R Square	Adjusted R Square	Std. Error of the Estimate
,062	,026	1,13896
a. Predictors: (Constant), LN_CR ,LN_TAT		
b. Dependent Variable: LN_RS		

Table 3: Model Summary

In table 3. above shows that the coefficient of determination

Indicated from the value of R Square of 0.062 means, the magnitude of the influence given by the variable Liquidity and Activity to Return Share is 6.2% in manufacturing companies listed BEI. While the rest of 93.8% explained by other variables outside the research variables.

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	4,437	2	2,219	3,612	,019 ^b
	Residual	31,928	52	,614		
	Total	36,365	54			
a. Dependent Variable: LN_RS						
b. Predictors: (Constant), LN_CR, LN_TAT						

Table 4: ANOVA

Based on table 4. above shows that the significant value of $0.019 < 0.05$ while the value of F_{hitung} amounted to 3.612 and F_{tabel} value of 2.70 ($3.612 > 2.70$) and from the results can be concluded Liquidity and activity simultaneously significant effect on Stock Return.

Classic Assumption Test Results

➤ Normality Test

		Unstandardized Residual
N		55
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	1,11766673
Most Extreme Differences	Absolute	,098
	Positive	,078
	Negative	-,098
Test Statistic		,098
Asymp. Sig. (2-tailed)		,200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Table 5: One-Sample Kolmogorov-Smirnov Test

Based on table 5 above, it shows that the sample data in this study is normally distributed where the value of Asymp.sig (2-tailed) for all variables is greater than 0.05.

➤ Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	LN_CR	,963	1,038
	LN_TAT	,963	1,038
a. Dependent Variable: LN_RS			

Table 6: Coefficients^a

Based on 6. The table above shows that each independent has a VIF value < 10 , so it can be concluded that the independent variable in this regression model does not occur multicollinearity.

➤ Heteroscedasticity Test

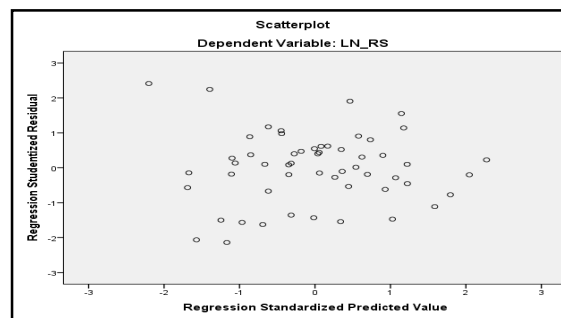


Figure 1

By looking at the scatter plot charts, randomly scattered spots are scattered, as well as scattered either above or below the number 0 in the growing Y, meaning there are no symptoms of heteroscedasticity in the regression model used.

9. Discussion

Influence of Liquidity and Activity with Profitabilita as intervening variable to Return of Stock at Manufacturing company contained in Indonesia Stock Exchange, can be seen in following table:

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,703	,123		13,878	,000
	LN_CR	,465	,118	,324	3,943	,000
	LN_TAT	,937	,142	,543	6,603	,000

a. Dependent Variable: LN_ROA

Table 7: Coefficients^a

From table 7., yield a model as follows:

$$ROA = 1,703 + 0,465CR + 0,937TAT + e$$

A. Constant value 1.703, meaning if the liquidity variable and the activity is 0, then the stock return of manufacturing companies in Indonesia Stock Exchange is equal to 1,703.

B. Liquidity with current ratio (CR) as a benchmark of 0.465, meaning that if liquidity rises by 1 percent, then the stock return will rise by 0.465 percent ..

C. Activities with total asset turnover (TAT) as a benchmark of 0.937 means that if the activity increases by 1 turn, then the stock return will rise by 0.937 times the rotation.

10. Intervening Test

In order to prove that profitability variable can be a variable that mediate between liquidity and activity to stock return, it will do the calculation of direct and indirect influence between liquidity and activity to stock return. If the indirect effect of liquidity and activity on profitability is greater than the direct effect of liquidity and activity on stock returns, then profitability can be a variable mediating between liquidity and activity on stock returns.

The correlation coefficient (r) of the calculation result is as follows:

Correlations					
		LN_CR	LN_TAT	LN_ROA	LN_RS
LN_CR	Pearson Correlation	1	-,155	,240*	,141
	Sig. (2-tailed)		,119	,015	,304
	N	102	102	102	55
LN_TAT	Pearson Correlation	-,155	1	,493**	,174
	Sig. (2-tailed)	,119		,000	,205
	N	102	102	102	55
LN_ROA	Pearson Correlation	,240*	,493**	1	,169
	Sig. (2-tailed)	,015	,000		,217
	N	102	102	102	55
LN_RS	Pearson Correlation	,141	,174	,169	1
	Sig. (2-tailed)	,304	,205	,217	
	N	55	55	55	55

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 8: Coefficient of determination

From table 8. above it can be seen correlation between current ratio with ROA equal to 0,240, then variable total asset turnover with ROA equal to 0,493, then return of stock with ROA equal to 0,169 and correlation Return On asset with stock return equal to 0,169. Correlation between current ratio with stock return equal to 0,141 then total asset turnover with stock return equal to 0,174 then ROA with stock return 0,169. Based on the numbers in the Standardized Coefficients column, the structural equation as follows: $RS = 0.324CR + 0,543TAT + e$

So that can be described coefficient that states determination of total CR and TAT through ROA to RS is as follows:

0.141

$$R^2_y(CR, TAT) = (0.324, 543)$$

0.174

$$R^2_y(CR, TAT) = 0.045684 + 0.094482$$

$$R^2_y(CR, TAT) = 0.140166$$

$$P_{ye} = 1 - 0.140166 = 0.859 \text{ (influence of other variables)}$$

Based on the above calculation and analysis we can illustrate the following structure path:

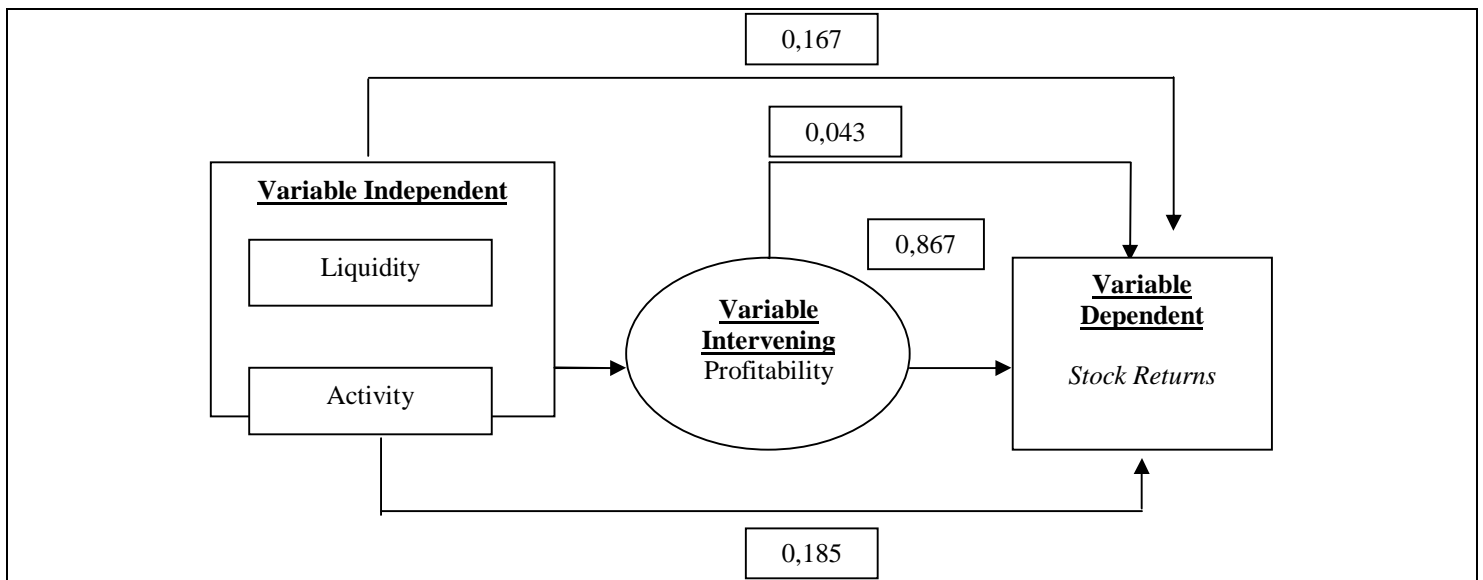


Figure 2: Path Analysis

In addition to the above calculation method, it can also be done with the formula Ghozali (2006: 174-175) that in the path analysis known three terms for the contribution of the influence of the test ie Direct Causal Effect (Direct Effect), Indirect Causal Effect (Indirect Effect) and Total Causal Effect (Total Influence). Standardized Coefficient of regression test above will give an idea about the influence of each independent variable to dependent variable and the influence of independent variable to dependent variable through intervention variable. The magnitude of the direct or indirect effect of the above test is presented below based on the formula:

A. Direct effect of CR to RS = 0.167

B. Direct influence of TAT to RS = 0,185

C. Direct influence of ROA to RS = 0.043

D. The indirect effect of CR, TAT to

To IHSG (via ROE) RS (via ROA) = 0.867+

Total influence = 1,262

Based on the above calculation can be seen that the value of the influence of current ratio, total asset turnover and return on asset to direct stock return of 0.395 or 39.5% while indirect influence through ROA of 0.867 or 86.7%. The calculation result shows that liquidity and activity can influence stock return through profitability at manufacturing company listed in Indonesia Stock Exchange, which can be proved from indirect influence value through ROA is bigger than direct influence value, where indirect influence is (86,7 %) And direct influence on Return on stock (39.5%).

From the results obtained calculations show indirect effect through ROA greater than the direct influence on stock returns. It can be concluded that profitability can be a variable that mediates between liquidity and activity on stock returns.

11. Conclusion and Recommendations

11.1. Conclusions

The conclusions in this study are:

1. Liquidity (CR) has a positive and not partially significant effect on stock returns on manufacturing companies listed on the Indonesia Stock Exchange.
2. Activity (TAT) has a positive and not partially significant effect on stock returns on manufacturing companies listed on the Indonesia Stock Exchange.
3. Liquidity and Activity have significant effect simultaneously on Stock Return at manufacturing company listed in Indonesia Stock Exchange.
4. Liquidity and activity effect with profitability as intervening variable to Return of stock.

11.2. Recommendations

1. For investors and companies that intend to invest should pay attention to the performance of a company and it is appropriate to consider the ratio of liquidity and activity in making decisions.
2. For the next researcher, it is better to evaluate the independent variable to stock return try to analyze other fundamental factor (market and solvency ratio) and external factor of company (inflation, exchange rate, interest rate, foreign exchange rate, etc) stock.

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