



# The Effect of Solvency and Liquidity on Stock Prices Which is Moderate by Profitability

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## ABSTRACT

This study aims to examine the influence of Solvency Ratio and Liquidity with Profitability as moderating variables on stock prices of manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX). Profitability is measured using return on assets, solvability is measured using debt to equity ratio, liquidity is measured using current ratio, and stock price uses closing price. This study uses a quantitative research method. The population in this study are manufacturing companies in the food and beverage sub-sector listed on the IDX. This study does not use samples but uses the entire population that has been given criteria, namely 26 companies. The research data was taken for 6 years, from 2018 to 2023, resulting in 136 data processed. The analysis method used is moderated regression analysis (Moderated Regression Analysis) using the SPSS 26 program. The results of this study indicate that liquidity has a significant effect on stock prices, while solvency does not significantly affect stock prices. The results of the moderating variables show that Profitability cannot moderate the influence of liquidity and solvency on stock prices.

**Keywords:** Profitability, Solvency, Liquidity, Stock Price

**JEL Classifications:** M41, G32, G34

## 1. INTRODUCTION

To be able to obtain high financial returns and protect value against market risk, market investment decision-making is required to be guided by determining the direction of future share price movements, especially on the stock market (Ismail et al., 2020). Investing in shares is considered to have quite high risks. Share prices also show the company's value regarding its performance which is appropriate in choosing which shares to choose (Mukhtasyam, 2020). According to the Central Statistics Agency, the contribution of the food and beverage subsector from 2017 to 2019 averaged above 35% of the contribution of the non-oil and gas sector in the formation of gross domestic product. It is believed that this condition will make investor confidence in shares in the subsector of food and beverage which can grow better even though economic conditions are less than encouraging (Lucita, 2021). The Food and Beverage sector is one of the company sectors listed

on the Indonesia Stock Exchange (BEI). Currently, the food and beverage sector has great opportunities to develop its business (Chasanah and Sucipto, 2019). The opening of shopping centers can be one of the factors that can make the food and beverage sector find its positive growth (Sunaryo, 2021). Based on the Annual Report of the Food and Beverage Industry listed on the IDX in 2019-2021, it is shown the closing stock price of the food and beverage industry does not always increase but fluctuates. At PT. Sekar Laut Tbk (SKLT), company experienced fluctuations in the 2019-2021 period, in the 2019 period the share price was IDR 1,610, down in the 2020 period it was IDR. 1,565 and increased in the 2021 period by Rp. 2,420. PT. Indofood Sukses Makmur Tbk (INDF), the company's share price has decreased from year to year, in the 2019 period the share price was IDR. 7,925, for the 2020 period IDR. 6,850 and for the 2021 period it is IDR. 6,325. At PT. Wilmar Cahaya Indonesia Tbk (CEKA), The company's share price experienced an increase in the 2019-2021 period, in

the 2019 period the share price was IDR. 1,670, an increase in the 2020 period of Rp. 1,785 and for the 2021 period it will increase by Rp. 1,880. Solvency, which is also often referred to as capital structure, is measured by financial leverage (Sitompul et al., 2020). The value of a company will increase along with public trust, especially investors, in a company due to a good solvency ratio (Ningsih and Sari, 2019).

Liquidity is a crucial factor in ensuring a firm's continuity since a company without sufficient liquidity would be unable achieve the company's short-term obligations to suppliers and produce services and commodities on time (Yusoff, 2017). According to research, liquidity has an impact on share prices in the near run (Camilleri, 2019). Second, according to Chang et al. (2017), In governance theory, a positive relationship that exists between liquidity and risk of collapse can be helped by the presence of block holders. The phrase "phenomenon of simultaneous movement between individual stock liquidity, market liquidity, or systematic liquidity" can be used when talking about market similarities. Comparing industry similarities, it is also clear that, within the confines of these shares' existence, there is a phenomena of simultaneous movement between individual stock liquidity shares and the industry (Kumar and Misra, 2020). The most widely recognized definition of liquidity is an asset's capacity to be exchanged in the market with little price disturbance (Bhattacharya, 2020).

An effective technique for providing predictions of future business performance can also be done using profitability techniques. In reality, profitability can show its representation of the wealth of shareholders which can ultimately attract investors (Ngoc et al., 2020). In this regard, managing a company's funding sources will influence the growth of a company's profitability (Kanaan and Saoud, 2018). According to the findings of Ayoush et al. (2021), liquidity measurement can be done using the quick ratio which will have a big impact and bring benefits to profitability; however, the current ratio will tend to have a small and negative impact on profitability. Rudin et al. (2016) conducted a test on the influence of leverage and liquidity on profitability that occurred in the real estate business in the period 2005 and 2010 which was listed on the Indonesian Stock Exchange. As a result, there is a limited influence of money given by liquidity on profitability, whereas, on the contrary, leverage has a large influence on profitability.

The result of Sudiyanto et al. (2020) research shows that no effect directly affects a company's value through profitability related to its company's size. Nonetheless, Amountzias's research (2020) indicates that solvency has no appreciable impact on profitability. The current ratio (CR), liquidity ratio, profitability ratio, solvency ratio, debt to equity ratio (DER), and return on assets (ROA) are examples of financial ratios (Fadil et al., 2021). Return on assets (ROA), current ratio (CR), and debt to equity ratio (DER) in the food and drink industry for the 2019-2021 period explain the movement in return on assets (ROA), according to the Annual Report of the Food and Beverage Industry registered on the IDX in 2019-2021, current ratio (CR), debt to equity ratio (DER) in the food and drink industry for the 2019-2021 period explain the movement the value of return on assets (ROA), current ratio (CR), debt to equity ratio (DER) in the food and beverage industry for the

2019-2021 period which shows the differences in results for each period. PT. Campina Ice Cream Industry Tbk, had a ROA value in 2019 of 7.26%, while in 2020 the ROA value was 4.05% and in 2021 the ROA value was 8.72%, indicating that the ROA value of the company experienced fluctuations. Meanwhile, the current ratio value for this company, in 2019 was 1263%, in 2020 it was 1327% and in 2021 it was 1331%. It depicted that the current ratio value in this company has increased annually during these 3 (three) periods. This company has a DER value in 2019 of 13.06%, 2020 of 13.01%, and 2021 of 12.17%, meaning that the DER value of this company has decreased from year to year for 3 (three) periods. If the long- and medium-term periods are taken into account, the positive relations between liquidity and profitability can happen, based on the concept that a low business' liquidity may lead to its decreased power due to its needs in loans, and low profitability cannot generate enough money (Samo and Murad, 2019). Similar research was conducted in 2013 by Sivathaasan et al. on the traits that potentially affect profitability for all manufacturing companies listed between 2008 and 2012 on the stock exchanges of Colombia and Sri Lanka.

## 2. THEORETICAL REVIEW

Signal Theory (or Signalling Theory) Spence employed signal theory for the first time in 1973 in his study on Job Market Signaling. Spence noted that gestures will serve as a signal, allowing the information's owner to offer information that interested parties may use. Corporate management uses a practice known as "signal theory" to tell investors how they see the future of the company. This theory clarifies why businesses feel obliged to provide other parties with access to their financial report information. Information asymmetry between external stakeholders and business management is the reason for the desire to convey or disclose financial report information to other parties (Bergh et al. 2014). Ramadhani et al. (2021) claim that signals sent by issuers to outside parties aim to sway investors' opinions of the company. While some signals are obvious, others require careful analysis and interpretation to reveal their information. The amount of shares traded and the share price represent the external issuers' current circumstances as described in the company's annual financial report. When building investment portfolios and determining preferences for money risk, investors can particularly benefit from the information provided by financial reports that companies release. This indicates that the signals conveyed must have an informational impact to influence the reputation of outsiders toward the organization (Raya, 2020).

### 2.1. Effect of Liquidity on Share Prices Likuiditas

The ratio used to measure a company's ability to meet short-term obligations is called the liquidity ratio. Liquidity measurement itself can be done using the Current Ratio (CR), which indicates that the higher the CR, the higher a company's ability to fulfill its short-term obligations, which also leads to better performance of a company. research conducted by (Raj & Putri, 2021) which obtained results from the t test on the projection of the Current Ratio (CR) liquidity variable had significance with a value of 0.031 which is smaller than 0.05, thus H1 can be accepted. The conclusion is that liquidity has a significant influence on the

share price of a company. The liquidity ratio projects the extent to which current liabilities are influenced by current assets. If a company can pay off its short-term obligations, the condition of the company will be better, which can attract the attention of company investors.

H<sub>1</sub>: Liquidity affects share prices

## 2.2. Effect of Solvency on Stock Prices

The ability to pay its obligations in both the short and long term is shown by the solvency ratio. The high solvency ratio of a company will indicate the company's high ability to fulfill its obligations (Sholichah et al., 2021) in their research shows that there is a positive and significant relationship provided by the solvency ratio with the stock price variable.

H<sub>2</sub>: Solvency influences stock prices

## 2.3. The Influence of Liquidity and Solvency on Stock Prices

According to the trade-off theory, (Gryglewicz, 2011) there is a trade-off between solvency and liquidity. Companies with higher levels of solvency (lower debt-to-equity ratio) may have lower liquidity because they rely on less short-term funding. Meanwhile, the pecking order theory (Pražák and Stavárek, 2017) says that companies tend to choose internal funding over external funding, followed by debt, and finally equity issuance. A higher level of solvency (lower leverage) indicates a preference for internal funding, which can have a positive impact on share prices as it indicates financial stability and lower risk. Solvency and liquidity metrics are often used by investors as signals in a company's health in financial and its ability to achieve short-term obligations. In efficient markets, changes in solvency and liquidity may already be reflected in stock prices. However, during periods of economic stress or uncertainty, these metrics can have a stronger impact on investor perceptions and stock prices due to increased information asymmetry and risk attitudes (Cont et al., 2020).

H<sub>3</sub>: Solvency and liquidity influence stock prices.

## 2.4. The Effect of Solvency on Stock Price Moderated by Profitability

The Debt-to-Equity Ratio (DER) is a metric for determining solvency. A high Debt to Equity Ratio (DER) has a negative influence on corporate performance because as the quantity of debt increases, so does the interest expenditure, which reduces earnings and affects investor interest in purchasing shares in the firm, and vice versa. Investors use the Debt Equity Ratio (DER) to determine how much responsibility the firm owes to the creditors who have issued loans to it. If profitability rises, the company's solvency falls. This indicates that a company's low solvency will influence its profitability. Previous research was undertaken by (Mukhtasyam, 2020). The results showed that profitability can moderate the effect of solvency on stock prices.

H<sub>4</sub>: Profitability moderates the effect of solvency on the stock price.

## 2.5. The Effect of Solvency on Stock Price Moderated by Profitability

The current ratio (CR) is one sort of liquidity ratio. CR is usually used as an assessment tool to assess a company's capacity to satisfy short-term obligations that are due within a year. Investors like firms with a high CR because they can carry out their operational activities effectively without being burdened by debt, allowing them to maximize profits. The degree of liquidity in a corporation influences its profitability. Where the higher the level of liquidity caused by excess current assets, will affect the decline in company profitability. Excess current assets are not good because they can show that the company cannot utilize cash optimally. Previous research conducted by (Mukhtasyam, 2020) obtained the results that profitability can moderate the effect of liquidity on stock prices.

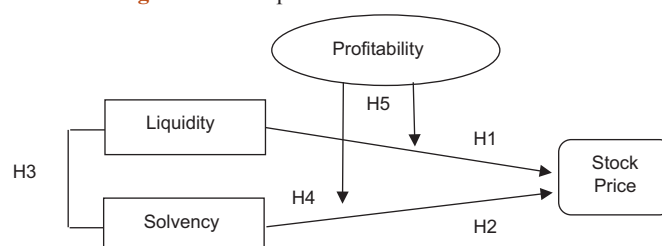
H<sub>5</sub>: Profitability moderates the effect of liquidity on stock price.

The conceptual framework outlines the interplay between independent and dependent factors. Figure 1 shows that research classifies liquidity and solvency as independent variables, profitability as moderating variables, and stock prices as independent variables.

## 3. RESEARCH METHODS

The research object of this study includes the share price of food and beverage subsector manufacturers in the years between 2018 and 2023 listed on the Indonesia Stock Exchange (BEI). According to the issue formulation and hypotheses provided, the variables observed and evaluated in this study comprise the independent variables, which are Solvency (X1) and Liquidity (X2). The variables in this research are the dependent variable (Y) which is the stock price, while profitability is the moderator between the two variables in the research. This study uses a quantitative method. The secondary data of the data source is gathered from the Indonesia Stock Exchange website ([www.idx.co.id](http://www.idx.co.id)) and analyzed in the form of business financial reports for the 2018-2023 timeframe. This study includes 26 food and beverage sub-sector manufacturing enterprises. This study's sample method was non-probability sampling. In this case, the author concluded that the sampling criteria or considerations used in this research were: The study's research object comprises two components: (a) the share price of food and beverage subsector manufacturers listed on the Indonesia Stock Exchange (BEI) for the years 2018 to 2023, and (b) the manufacturing companies for this subsector that are listed on the Indonesia Stock Exchange and that release annual reports as of December 31 for the years 2018 to 2023. (c) Manufacturing businesses in the food and beverage subsector

Figure 1: Conceptual framework of research





listed on the Indonesia Stock Exchange (BEI) between 2018 and 2023. d) The study used a year of observation for companies manufacturing food and beverages that were listed on the Indonesia Stock Exchange between 2018 and 2023 (a period of six years). Traditional assumptions were tested in this study utilizing SPSS version 26.

### 3.1. Data Analysis Techniques

To be able to identify a picture of the research variables, both independent and dependent variables without any comparison or relationship between other factors, descriptive statistical analysis was used in this research (Sugiyono, 2017).

In this study, the data analysis technique employed is moderated regression analysis (MRA). MRA is one of the several forms of multiple linear regression in which interaction terms (the product of two or more independent variables) are included in the regression equation. This research employs the formula model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1 X_4 + \beta_6 X_2 X_4 + \beta_7 X_3 X_4 + \varepsilon_i \quad (5)$$

Description:

(Y): Stock Price

$\alpha$ : Constant

$\beta_1$ - $\beta_7$ : Regression coefficient of each factor

$X_1$ : Liquidity

$X_2$ : Solvency

$X_3$ : Profitability

$\varepsilon_i$ : Error term

The normality test determines if the regression model's dependent and independent variables have a normality in their distributions. The Kolmogorov Smirnov test (Silalahi, 2015) requires the regression model to match the following normality assumptions throughout analysis: (1) If the significance value exceeds 0.05, the residual value or data is regularly distributed. (2) A significance value of <0.05 indicates that the residual value or data is distributed irregularly.

Whether or not there is a correlation between the independent variables in a regression model is determined by the multicollinearity test. Tolerance values and the independent variance inflation factor (VIF) can be used to conduct this test, as explained below:

- (1) Multicollinearity arises when the VIF value is >10 and the tolerance value is <0.10
- (2) If the VIF value is <10 and the tolerance value is >0.10, multicollinearity does not exist.

The Autocorrelation Test determines if the regression model correlates with residuals from the preceding period (t-1). The requirements for testing autocorrelation are as follows:

- (1) If the D-W number is between -2 to +2 then there is no autocorrelation
- (2) If the D-W number is above +2 then it has negative autocorrelation
- (3) If the D-W number is above +2 then it has negative autocorrelation.

The heteroscedasticity test is used to assess if the residuals of one regression show differing variances from those of another observation (Sugiyono, 2017). The analysis of this approach is based on the following:

- (1) Heteroscedasticity can be defined as a regular sequence of points forming waves, broadening, and narrowing
- (2) Heteroscedasticity is not present when points are distributed randomly above and below the Y-axis.

The Model Feasibility Test, often known as the F Test, is used to determine if a regression model is viable. The provisions are as follows:

- (1) The significance value of the F test is  $\geq 0.05$ , so the moderation regression model is said to be not feasible
- (2) The F test significance figure is <0.05, so the moderation regression model is said to be feasible.

According to Sujarweni (2017), the Coefficient of Determination Test determines the independent variable's capacity to explain the dependent variable. The criteria for assessing the coefficient of determination are as follows:

- (1) If the adjusted R-squared is minimal or near 0, the independent variable's capacity to explain the stock price is restricted
- (2) A high adjusted R-squared value, near 1, indicated that the independent variable can give useful information for the stock price variable.

### 3.2. Operational Definitions and Measurements

The independent variables consist of:

#### a) Liquidity

Yeo (2016) states that liquidity measures a company's capacity to use current assets like cash, receivables, and inventories to pay off its current obligations, or loans that are due within a year. The company's liquidity position is stronger the greater the ratio. Additionally, a corporation needs liquidity in order to guarantee consistent cash flow from a productive business and be able to pay off its short-term debt (Bibi, 2017). There were differing viewpoints (Simamora and Gendaryatno, 2019). Liquidity is a company's capacity to pay its existing debts. A company's ability to maintain its operations depends heavily on its liquidity. Without it, it will be unable to meet its short-term payments to suppliers and fulfill its delivery of goods and services on schedule, which will harm its reputation and may even cause it to declare bankruptcy. The business's failure to manage its assets in the most efficient way (Yusoff, 2017). A liquidity measure called the current ratio (CR) contrasts current assets and current liabilities (Karim, 2021).

$$\text{Current ratio (CR)} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

#### b) Solvency

Solvency means achieving financial stability through the effective use of financial resources to consistently meet all financial obligations and grow the business continuously even in the midst of business disruptions (Azadegan et al., 2020; Bui et al., 2021). (Coulon, 2020) contends that solvency is more concerned with the company's long-term liquidity to

maintain an unbroken ability to satisfy leverage commitments. The solvency ratio measures the connection between a company's total debt and total assets (Kalbuana et al., 2022, 2025; Uzliawati et al., 2024). It evaluates the effect of total debt on business performance (Umer and Muhammad, 2018; Akintoye et al., 2020). Essentially, before and throughout the liquidation period, the solvency ratio shows the genuine condition of the company's capacity to satisfy all maturing financial commitments (Satryo et al., 2017). According to Okoye et al. (2017), assessing a commercial enterprise's solvency position is critical to its growth, independent of the company's individual qualities. The Debt-to-Equity ratio (DER) can be used to calculate solvency. The DER is a solvency ratio that analyzes total debt and corporate equity. The company's capacity to fulfill its long-term debts improves as this ratio decreases, and vice versa (Kabue and Kilika, 2016).

$$\text{Debt to equity ratio} = \frac{\text{Total liabilities (debt)}}{\text{Total equity}}$$

#### c) Profitability

Profitability is a positive ratio for analyzing a company's financial success (Bansal and Singh, 2018). A similar message was communicated by (Basdekis and Lyras, 2020) in their research: profitability is a ratio used to assess corporate success (Kalbuana et al., 2023; Taqi et al., 2024; Uzliawati et al., 2023; Yazid et al., 2024). According to (Samo and Murad, 2019), one of the most used methods for calculating profitability from financial statement data is the profitability ratio. Return on Assets (ROA) is a profitability ratio which is used to measure the ability of a company to generate net profits from all the assets it owns. ROA is also referred to as profit from assets which is obtained from measuring profitability by dividing net profit by the average of the total number of assets (Ayoush et al., 2021). ROA is calculated after the ratio of net profit obtained from taxes to total assets. The higher the ROA figure, the greater the profit for a company (Ali and Puah, 2019; Ercegovac et al., 2020).

$$\text{Return on assets} = \frac{\text{Net profit after tax and interest}}{\text{Total assets}}$$

Meanwhile, the dependent variable is the sharing price, and investment is the amount of money saved for future usage (Shabbir et al., 2020). A high share price will provide the firm with a positive value for the investor interest, making it simpler for it to raise financing from outside sources. According to the economic theory of information, personal information and the market value of a company are effectively depicted by share prices with the efficiency of capital market information (Hao and Wang, 2021). The residual dividend policy thus only pays dividends if there is a certain amount of money left after the company has marked all investment proposals that have a positive NPV (only investment policy affects Firm Value). (Suhadak et al., 2019). The capital market's strong demand and supply determines a company's share price. The same thing was also conveyed by (Suhadak et al., 2019). In his research, he said that demand and supply are two elements that affect stock prices. These elements are also

influenced by rational and irrational variables. Positive NPV (only investment policy affects company value) (Suhadak et al., 2019). The high demand and supply that occurs in the capital market is influenced by share prices. (Suhadak et al., 2019), in his research, he said that demand and supply are two elements that influence stock prices. These elements are also influenced by rational and irrational variables.

## 4. RESEARCH RESULTS AND DISCUSSION

The result and discussion are obtained based on the test that has done as follows: The results of classical assumption testing are shown below:

Table 1 displays the Kolmogorov-Smirnov test findings. The Monte Carlo value is bigger than 0.05 and is sig. (2-tailed) at 0.171. Therefore, it can be said that the data used is dispersed on a regular basis. Meanwhile, the multicollinearity test is displayed in Table 2 below:

There is no multicollinearity across variables in the regression model, according to Table 2's tolerance value computation results, which indicate the value of the independent variable is larger than 0.10. There are no independent variables with a variance inflation factor (VIF) value more than 10 when the VIF value is <10. It is therefore feasible to draw the conclusion that the independent variables in the regression model do not exhibit multicollinearity.

The Durbin-Watson coefficient is 2.082, as seen in Table 3. Meanwhile, the Durbin Watson value for table n = 111 yielded a dL of 1.46246 and a dU of 1.62833. The requirement  $dU < dW < 4-dU$  indicates that autocorrelation is absent. The result of  $4-dU$  ( $4-1.62833$ ) is 2.37167. Based on the foregoing computation,  $1.62833 < 2.082 < 2.37167$ , indicates the regression model has no autocorrelation.

The heteroscedasticity test result explained in the Table 4 using the glejser above, a liquidity significance (CR) value of 0.065 and solvency (DER) of 0.088 and profitability (ROA) of 0.062 were obtained, meaning the value of each of these variables  $>0.05$ . As a result, we may infer that the regression model has no heteroscedasticity.

**Table 1: Normality test**

One-sample Kolmogorov-Smirnov test			
Unstandardized residual			
n			111
Normal Parameters <sup>ab</sup>	Mean		0.0000000
	Standard		0.41441414
	Deviation		
Most Extreme Differences	Absolute		0.104
	Positive		0.104
	Negative		-0.101
Test Statistic			0.104
Asymp. Sig. (2-tailed)			0.005
Monte Carlo Sig. (2-tailed)	Sig		0.171
	99% confidence	Lower	0.161
	interval	Bound	
		Upper	0.181
		Bound	

Source: Processed secondary data, 2024

**Table 2: Multicollinearity test**

Model		Coefficients <sup>a</sup>			t	Sig.	Collinearity statistic	
		Unstandardized coefficients		Standardized coefficients Beta			Tolerance	VIF
		B	Standard error					
1	(Constant)	2.170	0.207		10.474	0.000		
	Liquidity	−0.239	0.084	−0.273	−2.860	0.005	0.949	1.054
	Solvency	−0.043	0.079	−0.053	−0.541	0.590	0.894	1.119
	Profitability	0.030	0.062	−0.047	−0.047	0.634	0.894	1.119

<sup>a</sup>Dependent Variable: STOCK PRICE

Source: Processed secondary data, 2024

**Table 3: Autocorrelation test**

Model Summary <sup>b</sup>					
Model	R	R square	Adjusted R square	Standard error of the estimate	Durbin-Watson
1	0.280 <sup>a</sup>	0.078	0.053	0.42018	2.082

<sup>a</sup>Predictors: (Constant), profitability, liquidity, solvability<sup>b</sup>Dependent Variable: Stock price

Table 5 shows a significance value of 0.006 (<0.05) for the liquidity variable, indicating a substantial influence on the stock price variable. This is consistent with the study undertaken by Stambaugh et al. 2015, who studied elements that might generate price imbalances in financial markets, including stock liquidity. They show how liquidity can significantly influence stock prices, indicating the importance of this factor in determining stock valuation. Chen and Yu (2021) research on the Chinese market shows that the positive effect of the company's share price is affected by liquidity. The higher the liquidity, the better the share price will be. Recent research by Aboagye-Otchere and Boateng (2023) showed similar results, indicating a negative effect of liquidity shows on volatility and a favorable effect on global stock returns. Stock liquidity is still known to have a substantial impact on stock prices and volatility. High liquidity tends to drive up prices while decreasing stock volatility. Liquidity is defined as a company's capacity to satisfy its short-term financial obligations. A company's strong liquidity indicates that it has enough finances to meet its daily commitments. This can boost investor confidence and affect share prices. Meanwhile, the Solvency variable has a significance value of 0.670 (>0.05), implying that it has no meaningful influence on the stock price variables. This is consistent with Guzman et al's (2020) research on the Colombian stock market, which found that the solvency ratio had no influence on the share prices of the businesses analyzed. Zhang et al.'s (2022) research in China indicated that solvency had no meaningful influence on stock returns for industrial enterprises. Even though solvency has an important role in business sustainability, its influence on share prices is not always consistent. Because investors sometimes focus on growth and profitability, investors also consider many factors when assessing share prices.

According to the Table 6, the significance of value in the independent variables, liquidity (current ratio) and solvency (DER), is 0.014, indicating that the factors jointly influence share prices (Y). The significance level is 0.014, which is no more than the threshold of 0.05. This is consistent with Mohammad et al's (2020) research

**Table 4: Heteroscedasticity test**

Model		Coefficient <sup>a</sup>			t	Sig.
		Unstandardized coefficients		Standardized coefficients		
		B	Standard error			
1	(Constant)	0.526	0.095		5.547	0.000
	Liquidity	-0.071	0.038	-0.178	-1.867	0.065
	Solvency	-0.062	0.036	-0.169	-1.723	0.088
	Profitability	0.054	0.028	-0.185	1.885	0.062

<sup>a</sup>Dependent Variable: ABS\_RES

Source: Processed secondary data, 2024

**Table 5: Regression analysis**

Model		Coefficients <sup>a</sup>			t	Sig.
		Unstandardized coefficients		Standardized coefficients Beta		
		B	Std. Error			
1	(Constant)	2.193	0.201		10.924	0.000
	Liquidity	−0.234	0.083	−0.266	−2.832	0.006
	Solvency	0.032	0.076	−0.040	−0.427	0.670

<sup>a</sup>Dependent Variable: Stock price

Source: Processed secondary data, 2024

**Table 6: Simultaneous test**

Model		ANOVA <sup>a</sup>				Sig.
		Sum of squares	df	Mean square	F	
1	Regression	1.567	2	0.783	4.469	0.014
	Residual	18.932	108	0.175		
	Total	20.498	110			

<sup>a</sup>Dependent Variable: Stock price<sup>b</sup>Predictors: (Constant), solvability, liquidity

Source: Processed secondary data, 2024

on a sample of Indonesian firms, which found that solvency and liquidity had a favorable and substantial influence on stock returns. Similarly, Qiang (2023) in China found that solvency and liquidity had a positive and simultaneous influence on manufacturing company stock prices. When solvency and liquidity are analyzed simultaneously, they can mutually reinforce or moderate each other's influence. For example, a company with good solvency may be able to leverage its liquidity for profitable investments, which in turn can influence share prices. Both are also associated with risk. Low liquidity can pose a risk of a company's inability to pay its debts, while low solvency can indicate a risk of bankruptcy. Investors will consider these risks in assessing share prices.



The value of the coefficient of determination may be found in the Adjusted R-Square column of the Table 7. The value of the coefficient of determination is 0.079, which indicates that share prices are impacted by two independent factors, including liquidity (CR) and solvency (DER), with the other 7.6% influenced by variables not explored by the author. Investors consider many factors when assessing stock prices, including financial statements, business prospects, management, and overall market conditions. Meanwhile, liquidity and solvency are just one of the many factors that influence share prices.

Based on the results of the Moderated Regression Analysis (MRA) in Table 8, it can be inferred that the profitability (M) variable is unable to moderate the influence of the liquidity variable on the stock price variable. The significance interaction variable between liquidity and stock price has a value of 0.625 ( $>0.05$ ). The interaction variable between the stock price and the solvency variables has a significant value of 0.931 ( $>0.052$ ), suggesting that the profitability variable (M) is unable to mitigate the effect of the solvency variable on the stock price variable. In agreement with Ghulam and Doering (2018) findings, which show that profitability cannot lessen the impact of solvency and liquidity on stock returns. Kannadhasan et al. (2016) examined firm data from India and found similar results, namely that profitability did not mitigate the influence of solvency and liquidity on stock returns. According to Jeong et al.'s (2022) research using a sample of South Korean enterprises, profitability did not influence the link between solvency, liquidity, and stock prices. Profitability cannot attenuate the impact of solvency and liquidity on stock prices for several reasons, including its operational and short-term nature, while solvency and liquidity are more structural and long-term, they have different characteristics. Solvency and liquidity indicate the company's overall financial condition which also influences long-term investor perceptions of the company. Profitability cannot necessarily reduce this signal. Investors will still see solvency and liquidity as a measure of a company's health and capability to survive in the long term even though profitability is high. This is because profitability can fluctuate. Operational variables such as profitability are more complex and are influenced by various factors, not only solvency and liquidity, so the effect is not directly linear. Empirically, there is still significant effect of solvency and liquidity on stock price despite the profitability is controlled. Therefore, profitability is not strong enough to moderate the long-term impact of solvency and liquidity on a company's share price.

It is known from the table data above (Table 9) that the R Square value is 0.082, which means that the contribution of the influence of the Liquidity (X1) and Solvency (X2) variables to the Stock Price (Y) variable after the moderate variable (Satisfaction) is 0.082 or 8.2%, which means there is an increase after the independent variable is moderated by the Profitability variable (M), namely 7.6-8.2%, the increase is 1.4%, the remainder is influenced by other variables not Investor satisfaction with the company's performance and prospects might reinforce the signal of healthy liquidity and solvency. Investors will be more favorable about the company's financial situation (liquidity and solvency) if they are also pleased with its operational and management performance. This is because satisfaction can reduce investors' level of uncertainty regarding

**Table 7: Coefficient of determination (R2)**

Model	R	Model Summary <sup>b</sup>			
		R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.276 <sup>a</sup>	0.076	0.059	0.41868	2.069

<sup>a</sup>Predictors: (Constant), solvability, liquidity

<sup>b</sup>Dependent Variable: stock price

Source: processed secondary data, 2024

**Table 8: MRA test results (Moderated regression analysis)**

Model	Coefficients <sup>a</sup>				Significance
	Unstandardized Coefficients	Standardized Coefficients	t		
	B	Standard error	Beta		
1 (Constant)	2.647	1.555		1.703	0.092
Liquidity	-0.525	0.580	-0.598	-0.906	0.367
Solvency	-0.010	0.390	-0.012	-0.025	0.980
Profitability	-0.176	0.652	-0.277	-0.269	0.788
X1M	0.122	0.249	0.531	0.490	0.625
X2M	-0.013	0.147	-0.064	-0.087	0.931

<sup>a</sup>Dependent Variable: Stock Price

Source: Processed secondary data, 2024

**Table 9: Coefficient of determination (R2) after moderation**

Model	R	Model Summary <sup>b</sup>			
		R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.286 <sup>a</sup>	0.082	0.038	0.42338	2.099

<sup>a</sup>Predictors: (Constant), X2M, Liquidity, Profitability, Solvency, X1M

<sup>b</sup>Dependent Variable: stock price

Source: processed secondary data, 2024

the company's future projections. Thus, the positive influence of liquidity and solvency on share prices is strengthened by signals of satisfaction from the operational side.

## 5. CONCLUSIONS AND POLICY RECOMMENDATIONS

The liquidity variable give most influence on the stock price variable and the stock liquidity also continuously has a strong impact on stock price volatility. High liquidity tends to drive up prices while decreasing stock volatility. Liquidity is defined as a company's capacity to satisfy its short-term financial obligations. A company's high liquidity indicates that it has enough finances to meet its day-to-day commitments. This can boost investor confidence and impact stock prices.

The solvency variable has no meaningful impact on the stock price. Although solvency plays a vital role in corporate sustainability, its impact on stock prices is not always predictable. Because investors sometimes prioritize growth and profitability, they analyze a variety of criteria when appraising stock prices.

The variables jointly affect the stock price. When solvency and liquidity are analyzed together, they may reinforce or moderate each other's influence. For example, a firm with strong solvency may be able to use its liquidity to make successful investments, affecting the stock price. Both are connected with danger. Low liquidity may signal that a firm may be unable to pay its debts, but low solvency may indicate that it will declare bankruptcy. Investors will consider these risks in assessing the share price.

The profitability variable cannot mitigate the impact of the liquidity and solvency variables on the stock price. Profitability is more operational and short-term while solvency and liquidity are more structural and long-term, they have different characteristics. Solvency and liquidity show the overall financial condition of the company which also affects long-term investors' perception of the company. Profitability may not necessarily reduce these signals. Investors will still see solvency and liquidity as a measure of the company's health and capability to survive in the long run despite high profitability. This is because profitability can fluctuate. Operational variables such as profitability are more complex and influenced by various factors, not only solvency and liquidity, so the effect is not directly linear. Even when profitability is managed, empirical studies reveal that solvency and liquidity continue to have a major impact on stock prices. Thus, profitability is insufficient to mitigate the long-term impact of solvency and liquidity on firm stock values.

The following are some recommendations that can be utilized as enhancements for future research: (1) For companies to provide more consideration and warnings regarding the company's financial predictions to maximize performance and become a guide for companies to continue to grow. (2) For investors, it is a consideration for investors who want to make investments. (3) It is advised that future researchers incorporate independent variables, such as other financial success criteria, and then further researchers can replace moderating variables with other variables such as EPS, inflation, or others. Limitations exist since many food and beverage firms do not provide detailed financial disclosures, making research on these companies impossible. This is because there are companies that experienced an IPO during the research year and several companies that experienced management problems.

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