THE EFFECT OF QUICK RATIO, DEBT TO EQUITY RATIO, EARNING PER SHARE, PRICE TO BOOK VALUE AND RETURN ON EQUITY ON STOCK RETURN WITH MONEY SUPPLY AS MODERATED VARIABLES (Study of Banking Companies Listed on Indonesia Stock Exchange Period 2008 - 2017)

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Abstract: The purpose of this study is to empirically analyse the Effect of Quick Ratio (QR), Debt To Equity Ratio (DER), Earning Per Share (EPS), Price To Book Value (PBV) and Return On Equity (ROE) on Stock Returns with Money Supply (MS) as a Moderation variable. The period of this study was from 2008 to 2017 and the sample population of the company were 23 banking companies listed on the Indonesia Stock Exchange. Data were analysed using multiple linear regression methods. And to test the moderating variables using the Residual test. The results found that QR, DER, EPS, PBV, and ROE significantly affect stock returns simultaneously, but partially only EPS and PBV variables have a positive and significant effect on stock returns. QR, DER has a negative and not significant effect on stock returns while ROE has no effect on stock returns. MS cannot moderate the relationship between QR, DER, EPS, PBV and ROE with stock returns on banking companies listed on the Indonesia Stock Exchange.

Keywords: Quick Ratio, Debt To Equity Ratio, Earning Per Share, Price To Book Value and Return On Equity, Stock Return, Money Supply

1. Introduction

Modern countries set capital market activities as a benchmark of performance achieved. This is reflected in the size of the stock price index and the usual market capitalization said to be more successful in developing economic systems. The importance of the stock exchange market in economic activities makes the exchange more sensitive to various economic information, especially regarding the condition of company performance. The more demand for a stock of an issuer can raise the price of the stock and will provide a return as expected by investors. Investors always want a high return but always avoid risk. However, the theory states that investments that have high returns will certainly have high risks too. (Tandelilin, 2010).

The phenomenon of the fact that states that there is no certainty about stock returns that will be obtained by investors when investing in shares, and fluctuating stock returns of banking companies certainly an investor does not want to make mistakes in investment decision making. Therefore, it is necessary to know the factors that influence stock returns, so that expectations for obtaining the maximum return can be achieved.

2. Literature Review

2.1 Signalling Theory

Signalling theory according to Wolk in Thiono (2006), explains why companies have an incentive to provide financial statement information to external parties, because there is asymmetry information between companies and outsiders.

2.2 Stock Returns

Stock returns are the results or benefits obtained by shareholders as a result of investment. Investors or investors can only estimate what level of expected return and how far the possibility of actual results will deviate from the expected results. For investors, basically there are two benefits obtained by buying or owning company shares, namely dividends and capital gains / losses (Simatupang, 2010: 39).

2.3 Quick Ratio

According to Syahyunan (2015), the firm's liquidity illustrates the firm's ability to meet its short-term obligations in a timely manner. Quick ratio is one of the analysis tools to find out the firm's ability in short-term success in paying debts.

2.4 Debt to Equity Ratio (DER)

Brigham and Houston (2011) companies with low debt to equity will have a small risk of loss when the economic situation deteriorates, but when economic conditions improve, the opportunity to earn profits is also low. Conversely firms with high leverage ratios do indeed bear the risk of large losses as well when the economy is declining, but in good condition, this firm has the opportunity to earn large profits.

2.5 Earning Per Share (EPS)

EPS or earnings per share is the level of net profit for each share that the firm is able to achieve when running its operations. According to Tandelilin (2010), earnings per share are net income that is ready to be distributed to shareholders by the number of shares of a firm.

2.6 Price to Book Value (PBV)

According to Stice, et al (2009) "this ratio reflects the difference between the value in the company's balance sheet with the true market value of the company". The ratio of books to the market value of a company is often below one because many assets are reported at an acquisition price, which is usually lower than the market value. Companies with high book to market value ratio will get high stock returns in the following year.
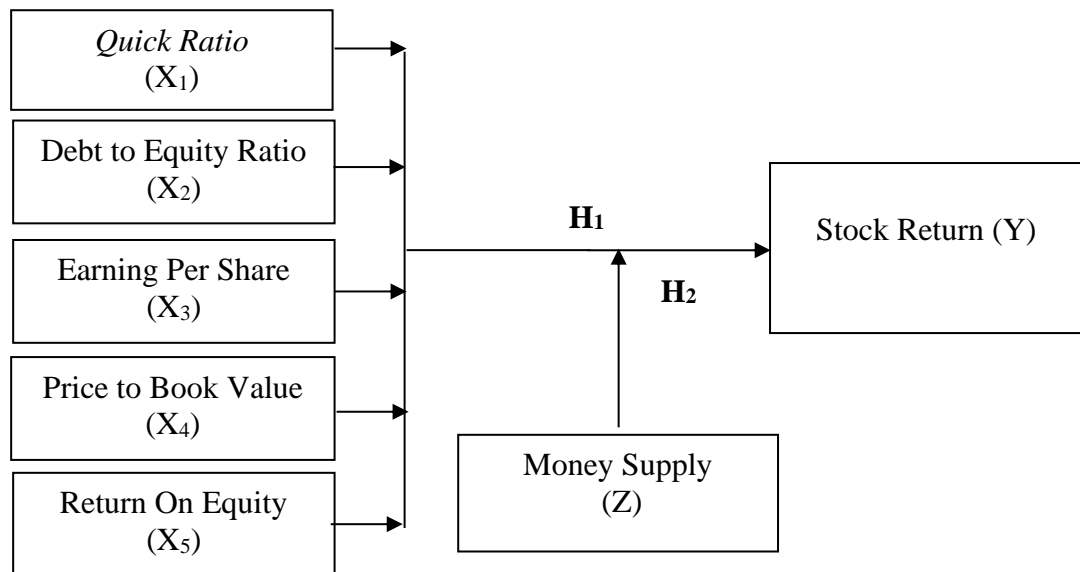
2.7 Return On Equity (ROE)

According to Syafri (2010) this profitability ratio is a ratio that illustrates the company's ability to obtain profits through all capabilities and all available sources. One type of profitability ratio, namely Return on Equity, is a measure of a company's ability to obtain available profits for its shareholders.

Money Supply (MS)

Money Supply is the amount of money circulating in the economy and is available for trading. The amount of money in circulation generally has a positive relationship on the economy of a country, especially Indonesia. Based on Keynes' theory of money supply (money supply) states that the increase in the money supply has a positive influence on output and economic growth.

2.8   Research Framework

2.9   Hypothesis

Based on the theoretical and conceptual framework, the hypotheses of this study are as follows:

H1: Quick Ratio, Debt to Equity Ratio, Earning Per Share, Price to Book Value and Return on Equity have a partial and simultaneous effect on stock returns on banking companies listed on the Indonesia Stock Exchange in the period 2008-2017.

H2: Money supply is able to moderate the relationship between Quick Ratio, Debt to Equity Ratio, Earning Per Share, Price to Book Value and Return on Equity with stock returns on banking companies listed on the Indonesia Stock Exchange period 2008-2017.

3.   Methods

Research uses causal research that is useful to explain the relationship between a phenomenon or variable. The population in this study is the banking sector financial sector companies that are flat on the Indonesia Stock Exchange during the period 2008-2017. This study uses a purposive sampling technique which is a sampling technique based on a criterion that is used as a particular consideration made by the researcher. Based on these criteria as many as 23 selected companies in the banking subsector financial sector were listed on the Indonesia Stock Exchange during the period 2008-2017 to obtain 230 observational data.

The analysis technique used is Multiple Linear Regression Analysis. Tests conducted in this study are descriptive statistics, classic assumptions test and hypothesis testing.

4. Results and Discussion
Descriptive Statistics of Research Variables
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
RS	230	6.6700	21900.0000	1543.950565	714.0383480
QR	230	3.2000	66.7900	17.256087	9.0903620
DER	230	.0600	18.4500	8.126609	3.0443503
EPS	230	-290.0000	946.0000	125.069783	116.9180220
PBV	230	-1.6400	4.6900	1.583174	1.0395111
ROE	230	-106.6000	288.8400	10.111261	23.5227443
Valid N (listwise)	230				

In the table shows the amount of data used in this study were 230 data samples taken from annual reports of banking companies listed on the Indonesia Stock Exchange from the period 2008-2017. By using certain criteria, samples taken from 23 banking companies in Indonesia are multiplied by the number of periods of 10 years issued by the Indonesia Stock Exchange, so that the total data becomes 230 observations.

4.1 Hypothesis Testing Results I
Analysis of Multiple Linear Regression
Hasil Persamaan Model Regresi

Model	Unstandardized		Standardi
	B	Std.	Beta
(Constant)	619.678	361.482	
QR	-20.952	10.836	-.070
DER	-9.454	32.756	-.101
1 EPS	10.245	.560	.743
PBV	4.771	101.984	.166
ROE	5.376	4.291	.047

The results of the regression model equation are as follows:

RS = 619,678 - 20,952QR - 9,454 DER + 10,245 EPS +4,771 PBV +5,376 ROE

Coefficient of determination (R Square)

R Square value or the coefficient of determination of 0.417 or 41.7%, means that RS disclosure can be explained by QR, DER, EPS, PBV, ROE by 41.7% and the remaining 58.3% is affected by other variables not included in the model this research.

Model Summary

Model	R	R Square	Adjusted R Square
1	.547[a]	.417	.411

Simultaneous Test (Test F)

F Statistical Test Results

Model		df	F	Sig.
	Regression	5	113.612	.000ᵃ
1	Residual	224		
	Total	229		

Value of F > F table (113,612> 2.25) with a significance level of 0,000 <0.05, it means that QR, DER, EPS, PBV, ROE simultaneously have a significant effect on disclosure of stock returns.

Partial Test (t Test)

Hasil Persamaan Model Regresi

Model		T	Sig.
	(Constant)	1.714	.088
	QR	-1.934	.055
1	DER	-2.761	.060
	EPS	18.292	.000
	PBV	4.244	.000
	ROE	1.253	.212

a) The QR variable has t > t-table where -1.934> 1.651 with a significance level of 0.055> 0.05 so that it can be stated that QR has a negative but not significant effect on stock returns.

b) DER variable has t > t-table where -2.761> 1.651 with a significance level of 0.06> 0.05 so it can be stated that DER has a negative but not significant effect on stock returns.

c) EPS variable has t > t-table where 18.292> 1.651 with a significance level of 0.000 <0.05 so it can be stated that EPS has a significant positive effect on stock returns.

d) PBV variable has t > t-table where -4,244> 1,651 with a significance level of 0,000 <0.05 so it can be stated that PBV has a significant positive effect on stock returns.

e) Variable ROE has t < t-table where 1.253 <1.651 with a significance level of 0.212> 0.05 so it can be stated that ROE has no effect on stock returns

4.2 Hypothesis II Testing Results
4.2.1 Test for Moderating Variables

Hasil Uji Residual (AnalisisModerasi)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.384.391	492.868		2.809	.005
	Y	-319.390	257.783	-.082	-1.239	.217

To test the moderating variables in this study using a moderation analysis with the Residual method. The table above shows the significant value (p sig) of stock returns is 0.217 with a Standardized Coefficients Beta value of - 0.082 so it

can be concluded that the money supply is not a moderating variable. This is because the significance value is greater than 0.05 even though the parameter coefficient is negative (which means there is no match between the independent variable and the moderating variable). The mathematical equation of the residual test regression model is as follows:

$$| e | = 1384,391 - 319,390 \ Y$$

4.3 Discussion
Relationship of QR Variables with Stock Returns
Based on partial hypothesis testing, it is known that the Quick Ratio (QR) variable has a negative and not significant effect on stock returns. A negative value indicates that the higher the QR of a banking company the lower the value of the Stock Return owned by the company. The insignificant effect means that the QR variable has no significant effect on the banking company's stock returns. The higher the QR level shows the short-term financial performance the better because the company is considered able to pay its obligations.

Relationship of DER Variables with Stock Return
Based on partial hypothesis testing, it is known that the Debt to Equity (DER) variable has a negative and not significant effect on stock returns. A negative value indicates that the higher the DER, the higher the value of stock returns owned by the company. The insignificant effect means that the DER variable has no significant effect on banking company stock returns.

Relationship Between EPS Variables and Stock Return
Based on partial hypothesis testing, it is known that EPS shows the direction of a significant positive relationship to stock returns. Previous research conducted by Yeye Susilowati (2006) and Rita Kusumawati (2004). Shows the same results as this study that earnings per share significantly influence stock returns. From the results of this study, it can be seen that changes in earnings per share can help investors to predict stock returns that will be obtained for the next year.

Relationship Between PBV Variables with Stock Return
Based on partial hypothesis testing, it is known that the Price to Book Value (PBV) variable has a positive and significant effect on stock returns. A positive value indicates that the higher the Price to Book Value of a banking company, the higher the value of the company's stock return. Significant influence means that the variable Price to Book Value significantly affects the stock returns of banking companies.

Relationship between ROE Variables with Stock Return
Based on partial hypothesis testing, it is known that the Return on Equity (ROE) variable has no effect on stock returns. A positive value indicates that the higher the Return on Equity of a banking company, the higher the value of the company's stock returns.

Relationship between QR, DER, EPS, PBV, and ROE Variables to Stock Return
Based on the results of simultaneous hypothesis testing, it is known that the significance value of 0,000 <0.05 means that the variables QR, DER, EPS, PBV and ROE both have a significant effect on stock returns.

Relationship between QR, DER, EPS, PBV, and ROE Variables on Stock Return with Money Supply as Moderation Variables

Based on the results of the residual test, it is obtained that the money supply variable does not moderate the QR, DER, EPS, PBV, and ROE variables so that the research hypothesis is rejected. The results of this study are a moderation regression analysis used to answer hypothesis two showing that money supply is not a moderating variable because the significance value is greater than 0.05 even though the parameter value is negative which means that there is a lack of fit between the independent variable and the moderating variable. This contradicts the research conducted by Borhan Sayedy et al (2017) which states that money supply is a moderating variable.

According to the results of this study, the influence of QR, DER, EPS, PBV and ROE variables on stock returns does not increase when the money supply is used as a moderator. This study shows a higher DER number reduces stock returns in the following year. But in terms of increasing the money supply by policymakers, a higher DER led to higher stock returns the following year. This could be a result of lower debt costs for the company and consequently a lower risk of bankruptcy, while the money supply is high.

5.   Conclusions and Suggestions
5.1   Conclusion

Based on the results of tests conducted, it can be concluded that Quick Ratio, Debt to Equity Ratio, Earning Per Share, Price to Book Value and Return On Equity banking companies have a significant effect on stock returns simultaneously, but partially only Earning Per Share and Price to Book variables Value that has a positive and significant effect on stock returns. Quick Ratio, Debt to Equity Ratio of banking companies has a negative and not significant effect on stock returns while Return On Equity does not affect the stock returns of banking companies listed on the Indonesia Stock Exchange in 2008-2017. Money supply cannot moderate the relationship between Quick Ratio, Debt to Equity Ratio, Earning Per Share, Price to Book Value and Return On Equity of companies with disclosure of stock returns to banking companies listed on the Indonesia Stock Exchange.

5.2   Research Limitations
1. This study only uses the Quick Ratio variable, Debt to Equity Ratio, Earning Per Share, Price to Book Value and Return On Equity. It is expected that further research will add variables so that later it can measure comprehensively its stock returns.
2. The independent variable in this study is only able to affect stock returns by 41.7%, the rest is influenced by other factors not included in this study.

5.3   Suggestions
1. For further researchers who are interested in conducting research on company stock returns are expected to add other variables beyond this research variable that are more influential and also the addition of the number of companies that are thought to influence stock returns.

2. Potential investors should consider the movement of macroeconomic variables such as inflation, the rupiah exchange rate, and interest rates to help make stock investment decisions and estimate which stocks can be used as investments so as to provide optimal returns in the future.

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