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The Role of Corporate Governance as a Moderating Variable in Relationship of Determinant Factors Stock Return

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ABSTRACT:

The objective of this study is to examine the role of corporate governance as moderating variable in relationship between all of independent variables toward stock return. The type of research used in this research is causal associative research. Casual associative research is research that aims to determine the effect or relationship between two or more variables. This research is also a quantitative study. The quantitative method is a scientific approach that views a reality as classifiable, concrete, observable and measurable, the variable relationship is causal in nature where the research data is in the form of numbers and the analysis uses statistics. The conclusion from this study is that the Liquidity Variable has no effect on Stock Returns. Profitability Variable influences Stock Return. Solvency variable has no effect on Stock Return. Accounting Profit Variable influences Stock Return. Operating Cash Flow Variable influences Stock Return. The Independent Commissioner variable cannot moderate the influence of Liquidity on Stock Returns. Independent Commissioners cannot moderate the influence of Profitability on Stock Returns. Independent Commissioners cannot moderate the influence of Solvency on Stock Returns. Independent Commissioners cannot moderate the influence of Accounting Profits on Stock Returns. Independent Commissioners cannot moderate the influence of Operating Cash Flow on Stock Returns. The Audit Committee cannot moderate the influence of Liquidity, Profitability, Solvency, Accounting Profit and Operating Cash Flow on Stock Returns.

Keywords: corporate governance, profitability, stock return, liquidity.

JEL Classification: L23; L97; H54; G33.

INTRODUCTION

Currently more and more people are starting to be interested in investing and one of the instruments that many choose is stocks. Stock investment offers a lot of profit potential so that it is in great demand by the public.

Profits from investing in stocks come from rising stock prices and dividends. The increase in stock prices moves based on the law of demand and supply, while dividends come from the profits generated by the company. In investing, the greater the potential profit that can be achieved, the greater the risk of loss that awaits so that potential investors must be able to make careful considerations when they want to start investing so as to minimize the risk of existing losses. Currently more and more people are starting to be interested in investing and one of the instruments that many choose is stocks. Stock investment offers a lot of profit potential so that it is in great demand by the public. Profits from investing in stocks come from rising stock prices and dividends. The increase in stock prices moves based on the law of demand and supply, while dividends come from the profits generated by the company. In investing, the greater the potential profit that can be achieved, the greater the risk of loss that awaits so that potential investors must be able to make careful considerations when they want to start investing so as to minimize the risk of existing losses.

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This is evidenced by the emergence of several investment cases which shocked the public because they caused losses of up to trillions of rupiah, one of which was the Pandawa Group case which caused losses of up to IDR 3.8 trillion and claimed 549 thousand victims where the mode used was to collect public funds and offer more profits than 10 percent which in the end actually experienced a bottleneck in repaying the loan. There is also the case of PT Cakra Buana Sukses Indonesia which claimed 170 thousand victims with a total loss of IDR 1.6 trillion which was proven to have committed a criminal act of raising public funds without a permit and had violated the Sharia Banking Law (UU) and the Money Laundering Law. The two cases have something in common, namely deceiving the public by raising funds that offer high profits. Another case of investment loss is when the shareholders, to be precise in July 2018, PT Tiga Pilar Sejahtera Food Tbk. (AISA) visited the mainhall of the Indonesia Stock Exchange (IDX) to attend the company's Annual General Meeting of Shareholders (AGMS) because they wanted to hear management's explanation regarding the company's future. Shareholders claim to suffer losses due to the decline in the company's share price. One of the investors admitted that he bought shares when they were at the level of Rp. 1,000, so that the shares have now fallen to Rp. 168 per share. (Wareza, 2018) Then there was also a case when the stock performance of the company PT Bakrie & Brothers Tbk (BNBR) experienced a significant decline. An investor who has been investing for dozens of years has even suffered losses of up to hundreds of millions to make him release the shares he owns. The investor's investment value in Bakrie company shares, which previously reached Rp. 1 billion, is now only Rp. 50 million, while Rp. 950 million is the total loss since investing in Bakrie shares since 2016.

Basically what is expected when investing is profit, as well as when investing in stocks, of course you want profits in the form of returns or returns from funds that have previously been invested by buying company shares. This profit is called stock return which is the difference between the selling price of the stock and the buying price of the stock so that the higher the selling price of the stock compared to the buying price means that the return that will be received by investors is of course higher. Stock return will be the dependent or dependent variable in this study. Based on the investment failure cases above, it shows that behind the large and lucrative profit potential when investing in stocks, there is also a high risk of loss. The stock investment climate in the capital market is difficult to predict so that it can pose a risk to investors when investing so that investors need to understand the condition of the company they want to invest in, one of which is seen through financial performance. A company's financial performance will be listed in the company's financial statements or annual reports. Based on this information investors can make an assessment regarding the feasibility of the investment to be made.

This study aims to empirically test the effect of liquidity on stock returns, empirically test the effect of profitability on stock returns, empirically test the effect of solvency on stock returns, empirically test the effect of accounting earnings on stock returns, empirically test the effect of operating cash flow on returns. stocks, empirically test whether independent commissioners are able to moderate the relationship between liquidity and stock returns, empirically test whether independent commissioners are able to moderate the relationship between profitability and stock returns, empirically test whether independent commissioners are able to moderate the relationship between solvency and stock returns, test empirically whether the independent commissioners are able to moderate the relationship between accounting earnings on stock returns, test empirically whether the independent commissioners are able to moderate the relationship between operating cash flow on stock returns, test em examine whether the audit committee is able to moderate the relationship between liquidity and stock returns, test empirically whether the audit committee is able to moderate the relationship between profitability and stock returns, test empirically whether the audit committee is able to moderate the relationship between solvency and stock returns, test empirically whether the audit committee is able moderate the relationship between accounting profit on stock returns and test empirically whether the audit committee is able to moderate the relationship between operating cash flow and stock returns.

LITERATURE REVIEW

Stock Return

Stock Return is the yield obtained by investors when carrying out an investment activity in the form of purchasing shares. Stock Return is the profit enjoyed by investors on their investment, with this profit an investor will be interested in investing both short term and long term (Putra and Widaningsih, 2016: 1051). It can be concluded that stock returns are the result or return on a securities or capital investment which is usually expressed in a certain percentage level. The stock return component, namely capital gain or capital loss, is the difference between the stock price at the beginning of the period and its price at the end of the period. If the stock price at the end of the period is higher than the initial period, then it can be said that the investor gets capital gains, if the opposite happens, then the investor is said to get capital loss (Putra and Dana, 2016: 6826). High stock returns are what investors hope to achieve. One of the goals of investors investing is to get returns or returns. Without the level of profit enjoyed from an investment, of course, investors are reluctant to invest. Conversely, investors will be happy if they get high returns from time to time. Therefore, stock returns are used as an indicator of company performance directly to shareholders. The higher the stock return obtained, the happier investors are to invest in the company. Stock return itself is in the form of returning a nominal amount of shares and the results from the broker or company to investors who have invested in the company.

Liquidity

Liquidity is the company's ability to meet short-term financial obligations using available current funds. Liquidity is one of the financial ratios that is often the main concern of external parties such as creditors and investors in making decisions such as extending credit or investment. This is because if the company in its operational activities obtains optimal profit, the financing and funding of the company will be smoother, and vice versa. (Putra and Dana, 2016: 6828-6829) Liquidity is one of the factors that can drive changes in stock prices. The higher the level of company liquidity, the higher the company's ability to meet its short-term obligations. The company's liquidity in this study was measured by the Current Ratio, which is the ratio that shows the company's ability to pay current or short-term debt using its current assets. Can be interpreted how much current assets are available by the company to meet short-term obligations that are due soon. Current Ratio can also be said as a form to measure the level of safety (margin of safety) of a company (Octaviani and Komalasarai, 2017: 78). Liquidity refers to a company's ability to pay off its short-term debt using current assets such as cash or cash while factory facilities are not a type of liquid asset or current assets. Highly liquid assets are assets that can be sold quickly without significant loss in value and are not subject to high impairment or depreciation.

Profitability

Profitability is a financial ratio that describes a company's ability to generate profits by using the sources owned by the company such as total assets, capital or sales. The better the profitability ratio of a company, the better the profit the company gets, which means that this ratio is used to measure the effectiveness of the company's overall operations. If the company's conditions are categorized as profitable or promising future profits, of course, many investors will be interested in investing their funds by buying company shares, which of course pushes the stock price to rise higher. Profitability can be measured using Return On Assets (ROA), which shows the company's ability to use all of its assets to generate profits. Profitability will show how the level of effectiveness and the company's ability to generate profits through all capabilities possessed such as operational and investment activities by using owned resources such as cash, capital, human resources.

Solvability

Solvability or leverage is a financial ratio used to measure the extent to which a company's equity is financed with debt. This means how much debt is borne by the company compared to the equity it owns. In a broad sense it is said that the solvency ratio is used to measure a company's ability to pay all of its obligations, both short term and long term if the company is dissolved/liquidated. Solvency in this study is measured by the Debt to Equity Ratio (DER), which is a ratio that shows the percentage of provision of funds by shareholders to lenders by comparing the total debt to the total equity of the company. The higher the ratio means the lower the company's funding provided by shareholders or the higher the funding provided by external parties through loans.

Corporate Governance

Corporate Governance was introduced by the Cadbury Committee, England in 1922 which used the term in its report which became known as the Cadbury Report. Corporate Governance is a set of rules that govern the rights and obligations of stakeholders within a company and requires a company to carry out transparency over all processes within a company. Corporate Governance is a principle that controls business activities in order to achieve stability between company owners and managers in order to provide special accountability to shareholders. Good Corporate Governance is a bridge for companies to be able to develop and gain long-term benefits, as well as dominate the arena of global business competition.

METHODOLOGY

The type of research used in this research is causal associative research. Casual associative research is research that aims to determine the effect or relationship between two or more variables. (Putra and Dana, 2016) This research is also a quantitative study. The quantitative method is a scientific approach that views a reality as classifiable, concrete, observable and measurable, the variable relationship is causal in nature where the research data is in the form of numbers and the analysis uses statistics. The population in this study are mining companies listed on the Indonesia Stock Exchange (IDX). The sample selection method used was purposive sampling. Purposive Sampling means that the determination of the sample by considering certain criteria for objects that are in accordance with the aim of obtaining a representative sample.

RESULTS AND DISCUSSION

Statistical test results show that the dependent variable (Y) in this study is measured by the value of Stock Return, where from 160 samples a minimum value of -0.91 was obtained from SMR Utama Tbk. in 2021, while the maximum value is 8.44 obtained from Delta Dunia Makmur Tbk. in 2016. The average value is 0.2075 and the standard deviation obtained is 1.09107. Statistical test results show that the dependent variable (X) in this study is measured by Liquidity, Profitability, Solvency, Accounting Profit, and Operating Cash Flow.

Liquidity proxied by the Current Ratio has a minimum value of 0.01 obtained from Bumi Resources Minerals Tbk. in 2015, while the maximum value is 20.17 which was obtained from Central Omega Resources Tbk. in 2015, the average value (mean) was 1.8259 and the standard deviation was 1.99773. Profitability proxied by Return on Assets has a minimum value of -1.54 obtained from Mitra Investindo Tbk, while the maximum value is 1.15 obtained from Ratu Prabu Tbk. in 2017, the average value (mean) was 0.0388 and the standard deviation was 0.23355. Solvability proxied by the Debt to Equity Ratio has a minimum value of -13.29 obtained from

Apexindo Pratama Duta Tbk. in 2017, while the maximum value is 34.06 which was obtained from Atlas Resources Tbk. in 2018 the average value (mean) was 1.7478 and the standard deviation was 4.01415. Accounting profit has a minimum value of -31.09 obtained from Ratu Prabu Energi Tbk. in 2019, while the maximum value is 17.92 which was obtained from Bayan Resources Tbk. in 2017. The average value (mean) is -0.4650 and the standard deviation is 5.43489. Operating Cash Flow has a minimum value of -116.43 obtained from Darma Henwa Tbk. in 2018, while the maximum value is 20.48 which was obtained from Medco Energi Internasional Tbk. in 2017, the average value (mean) was -0.7607 and the standard deviation was 10.41280.

Based on the statistical test results, the adjusted R Square value is 0.131 or 13.1%. This indicates that the dependent variable (RS) can be explained by independent variables (CR, ROA, DER, LAK, and AKO) of 13.1%, while the remaining 86.9% is explained by other variables outside this study. The f-count value is 5.777 with a significance value of 0.000. If the f-count value is greater than the f-table value, it means that the independent variables simultaneously affect the dependent variable. Then look for the ftable value in the distribution of f-table values with a significance of 5% based on k (5); and (n-k) namely (160-5) = 155, so that an f-table value of 2.27 is obtained. It is known that the f-count value is greater than the ftable value (5.777 > 2.27) and a significance value of 0.000 <0.05, which means that the independent variables simultaneously affect the dependent variable. So it can be concluded that H0 is rejected and Ha is accepted, which means the liquidity variable (CR), profitability variable (ROA), solvency variable (DER), accounting profit variable (LAK), operating cash flow variable (AKO) when tested jointly affect stock returns (RS).

Statistical test results show that the interaction between the Liquidity variable and the Independent Commissioner variable (CRKI) on Stock Return has a positive t-count value of 0.970 with a significant value of 0.333. This shows a significance value greater than 0.05. Therefore, it can be concluded that the 6th hypothesis is rejected, namely partially the Independent Commissioner cannot moderate the relationship between the Liquidity variable and the Stock Return variable.

The interaction variable between Profitability and the Independent Commissioner variable (ROAKI) on Stock Return has a positive t-count value of 0.316 with a significant value of 0.753. This shows a significance value greater than 0.05. Therefore, it can be concluded that the 7th hypothesis is rejected, namely partially the Independent Commissioner cannot moderate the relationship between the Profitability variable and the Stock Return variable. The interaction variable between Solvency and the Independent Commissioner variable (DERKI) on Stock Return has a negative t-count value of -0.477 with a significant value of 0.634. This shows a significance value greater than 0.05. Therefore, it can be concluded that the 8th hypothesis is rejected, namely partially the Independent Commissioner cannot moderate the relationship between the Solvency variable and the Stock Return variable.

The interaction variable between Accounting Profit and the Independent Commissioner variable (LAKKI) on Stock Return has a positive t-count value of 0.009 with a significant value of 0.993. This shows a significance value greater than 0.05. Therefore, it can be concluded that the 9th hypothesis is rejected, namely partially the Independent Commissioner cannot moderate the relationship between the Accounting Profit variable and the Stock Return variable. The interaction variable between Operating Cash Flow and the Independent Commissioner (AKOKI) variable on Stock Return has a positive t-count value of 0.514 with a significant value of 0.608. This shows a significance value greater than 0.05. Therefore, it can be concluded that the 10th hypothesis is rejected, namely partially the Independent Commissioner cannot moderate the relationship between the variable Operating Cash Flow to the Stock Return variable.

The interaction variable between Liquidity and the Audit Committee variable (CRKA) on Stock Return has a negative t-count value of -0.860 with a significant value of 0.391. This shows a significance value greater than 0.05. Therefore, it can be concluded that the 11th hypothesis is rejected, namely partially the Audit Committee cannot moderate the relationship between the Liquidity variable and the Stock Return variable. The interaction variable between Profitability and the Audit Committee variable (ROAKA) on Stock Return has a positive t-count value of 0.502 with a significant value of 0.616. This shows a significance value greater than 0.05. Therefore, it can be concluded that the 12th hypothesis is rejected, namely partially the Audit Committee cannot moderate the relationship between the Profitability variable and the Stock Return variable. The interaction variable between Solvency and the Audit Committee variable (DERKA) on Stock Return has a positive t-count value of 0.468 with a significant value of 0.640. This shows a significance value greater than 0.05. Therefore, it can be concluded that the 13th hypothesis is rejected, namely partially the Audit Committee cannot moderate the relationship between the Solvency variable and the Stock Return variable. The interaction variable between Accounting Profit and the

Audit Committee variable (LAKKA) on Stock Return has a positive t-count value of 0.861 with a significant value of 0.391. This shows a significance value greater than 0.05. Therefore, it can be concluded that the 14th hypothesis is rejected, namely partially the Audit Committee cannot moderate the relationship between the Accounting Profit variable and the Stock Return variable.

CONCLUSION

The conclusion from this study is that the Liquidity Variable has no effect on Stock Returns. Profitability Variable influences Stock Return. Solvency variable has no effect on Stock Return. Accounting Profit Variable influences Stock Return. Operating Cash Flow Variable influences Stock Return. The Independent Commissioner variable cannot moderate the influence of Liquidity on Stock Returns. Independent Commissioners cannot moderate the influence of Profitability on Stock Returns. Independent Commissioners cannot moderate the influence of Solvency on Stock Returns. Independent Commissioners cannot moderate the influence of Accounting Profits on Stock Returns. Independent Commissioners cannot moderate the influence of Operating Cash Flow on Stock Returns. The Audit Committee cannot moderate the influence of Liquidity, Profitability, Solvency, Accounting Profit and Operating Cash Flow on Stock Returns.

Based on the results of this study, it is hoped that it can increase knowledge related to accounting science by providing empirical evidence regarding the influence of Liquidity, Profitability, Solvency, Accounting Profit, Operating Cash Flow on Stock Returns with Corporate Governance as a moderating variable in mining sector companies listed on the Indonesia Stock Exchange. This research is also expected to strengthen the findings from previous research and can be used as a reference for future research. The researcher hopes that with this research potential investors or the public can increase awareness in investing and increase knowledge in investing by first studying the company or object to be invested. Researchers also hope that the public can use the results of this study as one of the considerations in making investment decisions.

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