Does the Leverage Ratio Mediate the Effect of Liquidity Ratios, Profitability Ratios, and Activity Ratios on Stock Prices? (Empirical Study of Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the Period of 2015-2019)

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A R T I C L E I N F O	ABSTRACT
Keywords: *liquidity, profitability, activity, solvency, stock prices.*	This research explores the mediating effect of solvency ratios on the effect of liquidity ratios, profitability ratios and activity ratios on the prices of shares of food and beverage sub-sectors listed on the Indonesia Stock Exchange in 2015-2019. The data of this study were obtained from 10 food and beverage sub-sector companies listed on the Indonesia Stock Exchange in 2015-2019 which were used as research samples. The data was obtained by the purpose sampling method with the provisions of the food and beverage sub-sector company that issued an annual report for five years in a row namely 2015 to 2019, included a complete financial ratio in each annual report, and included a report on share prices in the period. The findings of this study showed that The solvency ratio significantly mediates the positive effect of the liquidity ratio on stock prices. The solvency ratio mediates the negative effect of the activity ratio on stock prices. The negative effect of the activity ratio on stock prices will be even more negative when the solvency ratio increases. This findings suggested that to increase the stock price of companies that have high liquidity ratios should be done when the company's debt ratio decreases. And for companies that have high profitability and high asset turnover, to increase their share price by reducing their debt ratio.
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1.   Introduction

The food and beverage industry is still the star of business in society. Increasing public consumption of food and beverage products will certainly affect company income. So that this will affect the opinion of investors in determining their investment. CNBC Indonesia stated that the financial performance report in the first quarter of 2019 showed quite good results, namely the growth in profits of food and beverage companies.

The share price is a description of the value of the company in the public view. If the value of the shares of a company is large, then the value of the company in public opinion is also good or vice versa. Considerations that must be considered carefully in determining stock inventory on the stock exchange and ensuring which company shares will be purchased.

The enthusiasm of market players throughout 2019 can be seen in the phenomenon of the performance of 10 issuers of the food and beverage sub-sector which show different stock price movements during the 2014-2018 period, which is shown in the following graph:
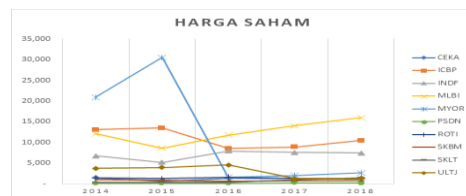

Fig 1. Chart of stock prices of 10 companies in the food and beverage sub-sector.

The company's financial performance can be assessed by looking at financial ratios, which are obtained from financial reports published by the company. One way to obtain useful information from financial reports is to decompose financial ratios (Brigham & Houston, 2010). There are 5 types of financial ratios, namely the Liquidity Ratio, which measures the company's ability to complete its short-term obligations. Profitability Ratio as a way to calculate a company's willingness to earn a profit by taking advantage of the company's resources, Activity Ratio as a measure of the company's effectiveness in controlling the company's assets. Then the next Leverage / Solvability Ratio as a measure of the use of debt in company operations (Sudana, 2015).
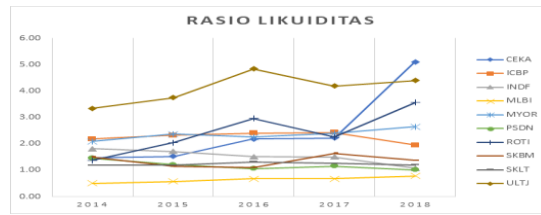
Fig 2. Graph of the liquidity ratio of companies in the food and beverage sub-sector.
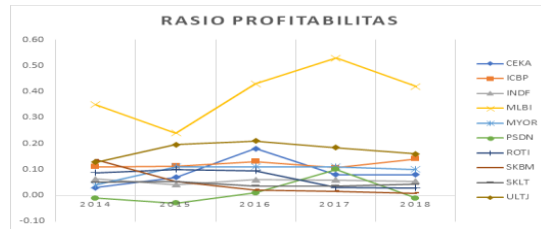
Fig 3. Graph of the profitability ratio of companies in the food and beverage sub-sector.

Figures 1, 2, 3, and 4 show the phenomenon that the liquidity ratios, profitability ratios, and activity ratios of the ten issuers show the same pattern as the stock price movements. However, it shows the opposite pattern to the solvency ratio (Figure 5).
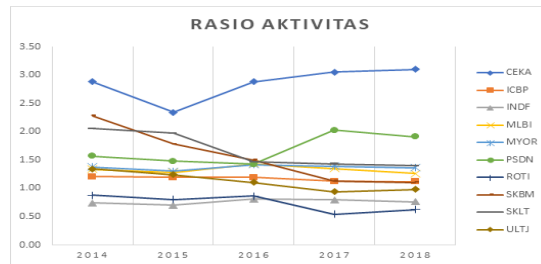
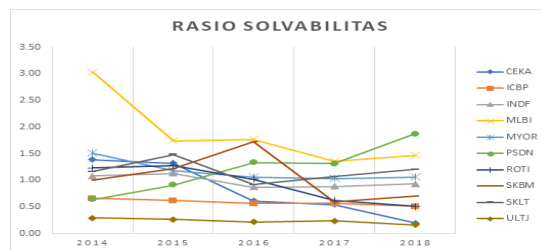Fig 4. Graph of the activity ratios of 10 companies in the food and beverage sub-sector.

Fig 5. Graph of the solvency ratio of 10 companies in the food and beverage sub-sector.

The charts above show the phenomenon that the movement of the solvency ratio during 2014-2018 negatively mediates the effect of financial ratios on the stock prices of 10 companies in the food and beverage sub-sector.

Sourced from the background of the problem, and the phenomenon of stock price movements and financial ratios in the food and beverage sub-sector companies during the 2014-2018 period, this study tries to reveal "whether the solvency ratio mediates the effect of the liquidity ratio, profitability ratio, and activity ratio. to the stock price of food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2015-2019? "

2.   Literature Review

2.1   Financial Ratio

The financial statements presented by the company are a periodic record of financial information that presents the company's performance. This financial report consists of a balance sheet, an income statement, a report on changes in capital, a report on notes on financial statements and a cash report(Kasmir, 2015). Decomposing financial statements is useful for knowing the strengths and weaknesses of a company. The description of the financial statements is needed to assess the performance achieved by management in the past, and for the company's plans in the future. To get useful information from financial reports, namely by decomposing financial ratios (Munawir, 2014;Sudana, 2015).

2.2   Thinking Framework and Hypothesis Development

Stock is one of the options in financing for the company. Investors have the right to choose the shares to buy. The high and low share prices are influenced by the financial ratios in the financial statements. From several studies conducted, it was found that the liquidity ratio, profitability ratio, activity ratio and profitability ratio had an influence on stock prices (Budiman, 2018). However, not all studies have the same results because there is a gap between the influence of financial ratios on stock prices. So this research focuses on the mediating effect of solvency ratios on stock prices which is influenced by liquidity ratios, profitability ratios and activity ratios.

2.3 The effect of the liquidity ratio on stock prices.

Research Gursida (2017), Wahyu Pranajaya and Putra (2018), Kundiman and Hakim (2016), and Sutapa (2018)revealed that a high level of current ratio can influence company management to improve financial statements and improve short-term debt management for the better, so as to increase share prices. Based on their research, the H1 research hypothesis can be postulated as follows:
H1: The liquidity ratio has a positive effect on stock prices.

2.4 Effect of profitability ratios on stock prices.

Research that shows the relationship between profitability ratios and stock prices was carried out Gursida (2017), Kundiman and Hakim (2016), Suryawan and Wirajaya (2017), Herawati and Putra, (2018), Amrah and Elwisam (2018)namely, return on assets can increase the effectiveness of the use of company assets to gain profits which in turn can increase the stock price. Thus the research hypothesis H2 is postulated as follows:
H2: Profitability ratio has a positive effect on stock prices.

2.5 Effect of activity ratios on stock prices.

Total *assets turnover*has a positive and significant effect on stock prices. Based on researchHerawati and Putra (2018) and Amrah and Elwisam (2018)namely, high total asset turnover illustrates good asset management which is expected to increase sales. Thus it can be postulated the H3 research hypothesis as follows:
H3: The activity ratio has a positive effect on stock prices.

2.6 The effect of the solvency ratio on stock prices.

Pecking Order Theory Myers said in 1984 that debt is a source of additional funds for companies other than internal funds. Several studies stated that the higher the company's need for funds to increase investment, the higher the company's willingness to hold back the resulting profits. When the company has a high level of progress, the company has a tendency to want to increase debt. This shows a positive relationship between capital structure and debt(Aisyah, 2011).
Research Wahyu Pranajaya and Putra (2018), Arifin and Agustami (2017), Djazuli (2017), Amrah and Elwisam (2018) and Dewangga et al., (2016)shows the results that the Debt Equity Ratio has a negative relationship and affects stock prices. Thus it can be postulated the H4 research hypothesis as follows:
H4: The solvency ratio has a negative effect on stock prices.

2.7 The effect of the liquidity ratio on the solvency ratio

Research Lumbantobing (2016), Ramadhani and Fitra (2019), revealed that the high and low percentage of the liquidity ratio has no effect on the company's capital structure. Asset value whose value does not have a large effect on the capital structure. So that the current ratio has a negative and insignificant effect on the capital structure. To prove their findings, this study postulates the relationship between the liquidity ratio and the solvency ratio as shown by the following research hypothesis H5:
H5: The liquidity ratio has a negative effect on the solvency ratio

2.8 Effect of profitability ratios on solvency ratios

Aisyah (2011)wrote that the increased development of the company convinced investors in determining their investment. The company's actions when reducing debt are expected to have an impact on increasing assets. So this illustrates high profitability followed by increased growth but has low solvency.Dewi and Sudiartha (2017), Guna and Sampurno (2018), as well Watung, S. Saerang, and Tasik (2016)which states that the company prioritizes the profit generated to be given to shareholders, so that the company will look for other sources of funding. So that the profitability ratio has a positive effect on the capital structure as postulated in the following research hypothesis H6:
H6: The profitability ratio has a positive effect on the solvency ratio

2.9 Effect of activity ratio on solvency ratio

Lumbantobing (2016)states that an increasing asset turnover affects an increase in the company's debt ratio. So it can be postulated that the activity ratio has a positive effect on the solvency ratio, namely a high asset turnover illustrates an increase in asset purchases made by companies whose sources of funding come from outside the company. Then this results in an increase in the company's debt ratio. Thus the research hypothesis H7 is postulated as follows:
H7: The activity ratio has a positive effect on the solvency ratio

2.10 The solvency ratio mediates the effect of the liquidity ratio on the stock price.

Findings Dewiningrat and Mustanda, (2018), Liang & Natsir (2019), Astutik (2017), Lumbantobing (2016)shows that the liquidity ratio has a negative effect on the solvency ratio, as postulated in hypothesis H5. Furthermore, the solvency ratio is postulated to have a negative effect on stock prices, as stated in the research hypothesis H4, so that based on the transitivity nature of the two research hypotheses, the research hypothesis H8 can be postulated as below:
H8: The solvency ratio mediates the negative effect of liquidity on stock prices.

2.11 The solvency ratio mediates the effect of the profitability ratio on the stock price

Dewi and Sudiartha (2017), Guna and Sampurno (2018), as well Watung, S. Saerang, and Tasik (2016)stated that the profitability ratio has a positive influence on the capital structure postulated in H6. Furthermore, the solvency ratio is postulated to have a negative effect on stock prices, as stated in the research hypothesis H4, so that based on the transitivity nature of the two research hypotheses, the research hypothesis H9 can be postulated as below:
H9: The solvency ratio positively mediates the effect of the profitability ratio on stock prices.

2.12 The solvency ratio mediates the effect of the activity ratio on the stock price

Lumbantobing (2016)shows that the activity ratio has a positive effect on the solvency ratio, which is postulated H7. Furthermore, the solvency ratio is postulated to have a negative effect on stock prices, as stated in the research hypothesis H4. So that from the two research hypotheses, the research hypothesis H10 can be postulated as below:

H10: The solvency ratio negatively mediates the effect of the activity ratio on stock prices.
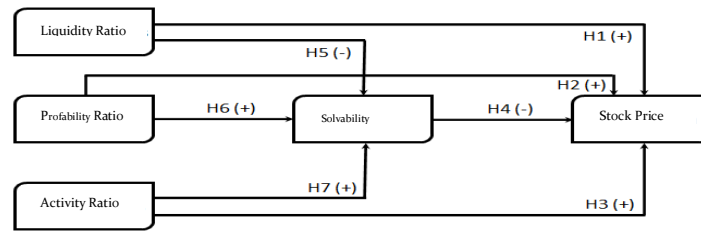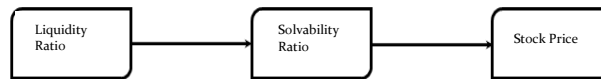

Fig 6. Research Paradigm pictograph 1

Fig 7. Research Paradigm pictograph 2

Fig 8. Research Paradigm pictograph 3

Fig 9. Research Paradigm pictograph 1-4

3.   Method

3.1   Population and Sample

In this study, the population used comes from the annual reports of companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange for the period 2015-2019. The number of food and beverage sub-sector companies listed on the Indonesia Stock Exchange is 26 companies.

Based on purposive sampling, a research sample of 10 food and beverage companies was obtained, namely:

Table 1.
Code and Name of Research Sample Company Stock

NO.	CODE	SHARE NAME
1.	CEKA	Wilmar Cahaya Indonesia Tbk, PT.
2.	ICBP	Indofood CBP Sukses Makmur Tbk, PT
3.	INDF	Indofood Sukses Makmur Tbk, PT
4.	MLBI	Multi Bintang Indonesia Tbk, PT
5.	MYOR	Mayora Indah Tbk, PT
6.	PSDN	Prashida Aneka Niaga Tbk, PT
7.	BREAD	Nippon Indosari Corporindo Tbk, PT
8.	SKBM	Sekar Bumi Tbk, PT
9.	SKLT	Sekar Laut Tbk, PT
10.	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk, PT

3.2   Operational Research Variables

In this study, the independent variable is the liquidity ratio variable proxied by the current ratio (CR), the profitability ratio variable proxied by the return on asset ratio (ROA), and the activity ratio variable proxied by the total asset turnover ratio (TATO). . The dependent variable in this study is the stock price variable, which is proxied by the year-end closing

stock price. Meanwhile, the intervening variable is the solvency ratio variable which is proxied by the debt to equity ratio (DER).

3.3 Data collection technique

Data collection is in the form of secondary data from company documentation using non-participant observation techniques. This is done in the form of recording the required data from the annual reports of food and beverage companies in the 2015-2019 period which are sourced from the websites of each company.

3.4 Data analysis technique

To perform tests using multiple regression analysis, the following equation model is used:

Equation (1) : $Y_1 = \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4Y1 + € 1$

Equation (2) : $Y_2 = \alpha 1X1 + \alpha 2X2 + \alpha 3X3 + € 2$

The dependent variable: Y1 = stock price, and Y2 = solvency ratio (DER)

Independent variables: X1 = liquidity ratio (CR), X2 = profitability ratio (ROA), X3 = activity ratio (TATO)

αj = variable path coefficient Xj equation (2); j = 1, 2, 3

βj = variable path coefficient Xj and Y1 equation (1)

€ 1, € 2 = residual or random condition of equations (1) and (2)

Testing direct and indirect relationships using a path diagram that shows the solvency ratio mediates the effect of financial ratios on stock prices, as in Table 2 below:

Table 2.
Path diagram of testing the intervening variables

Effect	X1→Y1	X2→Y1	X3→Y1
Live	β1	β2	β3
Indirect	α1 β4	α2 β4	α3 β4
Total	β1 + α1 β4	β2 + α2 β4	β3 + α3 β4

The test measure if the effect of the total value is greater than the direct value, the solvency ratio makes the liquidity ratio, profitability ratio and activity ratio stronger influence on stock prices, or vice versa.

4. Result and Discussion

To ensure that the data is normally distributed, all variables in this study are transformed into a z-score (normal distribution). Then perform the Kolmogorov-Smirnov test again and perform a regression test on the z-score value. The results of the regression test for the z-score value are shown in Figure 7below this.
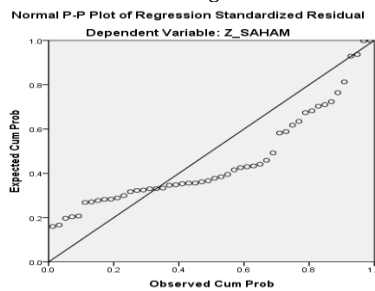
Figure 10. PP Regression Plot
Source: The results of data processing using software

From the regression results on the z-score value, it is still visible that the data are extreme in nature so that the data is not normally distributed. Outlier data is data that can interfere with data processing which results in the data not being normally distributed. For this reason, one way for data to be normally distributed is to remove outlier data from some data based on the following Residual Statistics data:

Table 3
Regression Test Coefficients

		Coefficientsa						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-182	.057		-3,170	.003		
Z_CR	-156	.087	-231	-1,799	.080	.432	2,314
Z_ROA	.503	.058	.778	8,648	.000	.881	1,135
Z_TATO	-196	.056	-.299	-3,517	.001	.986	1,014
Z_DER	-.081	.090	-120	-899	.374	.398	2,512

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a. Dependent Variable: Z_HARGA SHARE

Source: The results of data processing using software

Based on Table 3, the following results are obtained:

Equation (1): Estimation of the equation model $Y1 = \beta1 X1 + \beta2 X2 + \beta3 X3 + \beta4 Y1 + \text{€} 1$ is Z_HARGA SHARES = -0.231 Z_CR + 0.778 Z_ROA - 0.299 Z_TATO - 0.120 Z_DER with the coefficient of determination $(R2) = 0.722$ meaning 72.2% variation of the stock price can be explained by variations of the variables of liquidity (CR), profitability (ROA), activity (TATO, and solvency (DER), the remaining 27.8% is explained by other factors outside the regression model.

Table 4
F test results (Anova) Equation (1)

Model		Sum of Squares	df	Mean Square	F	Sig.
			ANOVAa			
1	Regression	14,519	4	3,630	25,318	.000b
	Residual	5,591	39	.143		
	Total	20,110	43			

a. Dependent Variable: Z_HARGA SHARE

b. Predictors: (Constant), Z_DER, Z_TATO, Z_ROA, Z_CR

Source: The results of data processing using software

The results of the F test (Anova) in Table 4 and Table 6 show that the value of Sig F = 0.000 <0.05, it is decided to reject H0, which means that the equation model (1) is valid to predict stock prices based on the liquidity (CR), profitability (ROA) variable.), activity (TATO), and solvency (DER).

1.   **H1: The liquidity ratio has a positive effect on stock prices**

Based on Table 3, it can be seen that the Sig (t) value for the CR variable = 0.08> 0.05 but <0.1, it was decided not to reject H0 at the 5% real level but reject H0 at the 10% real level, which indicates that at the level real 5% is not enough evidence that the liquidas ratio has a positive effect on stock prices. However, it is inconclusive at the real level of 10%, where the liquidity ratio has a negative effect on stock prices. Thus the research hypothesis H1 is rejected.

2.   **H2: Profitability ratio has a positive effect on stock prices.**

Based on Table 3, the test results show the value of Sig (t) for the ROA variable = 0.000 <0.05, it was decided to reject H0, which indicates that at the 5% real level, there is sufficient evidence to show that the profitability ratio (ROA) has a significant positive effect on stock prices. Thus the research hypothesis H2 is accepted. The higher the profitability, the higher the stock price.

3.   **H3: The activity ratio has a positive effect on stock prices.**

Table 3 shows that the Sig (t) value for the TATO variable = 0.001 <0.05, so it is decided to reject H0 at the 5% real level, sufficient evidence shows that the inconclusive activity ratio (TATO) has a positive effect on stock prices. In other words, the test results show the opposite effect, namely the activity ratio (TATO) has a significant negative effect on stock prices. The higher the activity ratio, the lower the stock price, vice-versa. Thus the research hypothesis H3 is inconclusive.

4.1   **The solvency ratio has a negative effect on stock prices.**

The test results in Table 3 show the value of Sig (t) for the variable DER = 0.374> 0.05, so it was decided not to reject H0, which shows that at the 5% real level there is not enough evidence to show that the solvency ratio (DER) has a significant negative effect on stock prices. Thus the research hypothesis H4 is rejected. These results provide evidence of the applicability of the pecking order theory.

Table 5
Model Summary of the Coefficient of Determination (R2) Equation (2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
			Model Summary b		
1	.776a	.602	.572	.66669	1,995

a. Predictors: (Constant), Z_TATO, Z_CR, Z_ROA

b. Dependent Variable: Z_DER

Source: Source: The results of data processing using software

Equation (2): Estimation of the equation model $Y2 = \alpha1 X1 + \alpha2 X2 + \alpha3 X3 + \text{€} 1$ is as follows Z_DER = -0,721 Z_CR + 0.224 Z_ROA + 0.071 Z_TATO with the coefficient of determination $(R2) = 0.602$ meaning 60.2% variation of the debt ratio variable (DER) can be explained by variations of the variables of liquidity (CR), profitability (ROA), and activity (TATO), the remaining 39.8% is explained by other factors outside the regression model, see Table 5.

Table 6
F Test Results (Anova)

Model		Sum of Squares	df	Mean Square	F	Sig.
			ANOVAa			
1	Regression	26,874	3	8,958	20,154	.000b
	Residual	17,779	40	.444		
	Total	44,653	43			

a. Dependent Variable: Z_DER
b. Predictors: (Constant), Z_TATO, Z_CR, Z_ROA
Source: Source: The results of data processing using software

The results of the F test (Anova) in Table 6 show that the value of Sig (F) = 0.000 <0.05, it was decided to reject H0, which means that the equation model (2) is valid to predict the solvency ratio (DER) based on the liquidity variable (CR), profitability. (ROA), and activity (TATTOOS).

Table 7
Results of the t test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.034	.101		-341	.735
	Z_CR	-724	.101	-721	-7,199	.000
	Z_ROA	.216	.096	.224	2,235	.031
	Z_TATO	.070	.097	.071	.715	.479
a. Dependent Variable: Z_DER						

Source: Source: The results of data processing using software

Based on the test results of each regression coefficient of equation (1) as shown in Table 7, it shows that the independent variables that affect the dependent variable (DER) are as follows:
a.   **H5: The liquidity ratio has a negative effect on the solvency ratio.**
The value of Sig (t) for the variable CR = 0.000 <0.05, it was decided to reject H0, which indicates that at the 5% real level, there is sufficient evidence to show that the liquidity ratio (CR) has a significant negative effect on the solvency ratio (DER). Thus the research hypothesis H5 is accepted. The higher the liquidity, the lower the solvency, vice-versa.
b.   **H6: The profitability ratio has a positive effect on the solvency ratio.**
The test results showed the Sig (t) value of the ROA variable = 0.031 <0.05, so it was decided to reject H0, which indicated that at the 5% real level, there was sufficient evidence to show that the profitability ratio (ROA) had a significant positive effect on the solvency ratio (DER). Thus the research hypothesis H6 is accepted. The higher the profitability, the higher the solvency, vice-versa.
c.   **H7: The activity ratio has a positive effect on the solvency ratio.**
Based on Table 7, it can be seen that the Sig (t) value for the TATO variable = 0.479> 0.05, it was decided not to reject H0, which shows that at the 5% real level there is not enough evidence to show that the activity ratio (TATO) has a significant positive effect on the solvency ratio (DER).). Thus the research hypothesis H7 is rejected.
4.2   Path Analysis
Path analysis is used to determine the direct or indirect effect where the solvency ratio (DER) becomes an intervening variable that mediates the effect of financial ratios on stock prices.

Table 8
Path Analysis of Intervening Variable Testing

Effect	CR → STOCK PRICE	ROA →STOCK PRICE	TATTOOS → STOCK PRICE
Live	-0.231	0.778	-0,299
Indirect	-0,721 (-0,120)	0.224 (-0,120)	0.071 (-0.120)
Total	-0.1445	0.7511	-0.3075

Based on Table 8 above shows evidence that:
a.   **H8: The solvency ratio mediates the negative effect of the liquidity ratio on stock prices.**
Table 8 shows that the total effect of CR on the stock price of -0.1445 will weaken from the direct effect of -0.231. This shows that the negative effect of the liquidity ratio (CR) on stock prices will be more positive when the solvency ratio (DER) increases. In other words, the solvency ratio (DER) significantly positively mediates the negative effect of the liquidity ratio (CR) on stock prices. Thus the research hypothesis H8 which states that the solvency ratio mediates the negative effect of liquidity on stock prices is rejected.
b.   **H9: The solvency ratio positively mediates the effect of the profitability ratio on stock prices.**
Table 8 shows that the total effect of ROA on the stock price of 0.7511 will weaken from the direct effect of 0.778. This shows that the positive effect of the profitability ratio (ROA) on stock prices will weaken / decrease when the solvency ratio (DER) increases. In other words, the solvency ratio significantly mediates the negative effect of the profitability ratio (ROA) on stock prices. Thus the research hypothesis H9 which states that the solvency ratio positively mediates the effect of the profitability ratio (ROA) on inconclusive stock prices. The positive effect of the profitability ratio on stock prices will decrease when the solvency ratio increases. This finding shows evidence that listed companies that have high profitability,
c.   **H10: The solvency ratio negatively mediates the effect of the activity ratio on stock prices.**
Table 8 shows that the total effect of TATO on the stock price of -0.3075 will be stronger than the direct effect of -0.299. This shows that the negative effect of the activity ratio (TATO) on stock prices will be more negative when the solvency ratio (DER) increases. In other words, the significant solvency ratio mediates the negative effect of TATO on stock prices. Thus the research hypothesis H10 which states that the solvency ratio negatively mediates the effect of the activity ratio on stock prices is accepted. The negative effect of the activity ratio on stock prices will be more positive when the solvency ratio increases, vice-versa. These findings provide evidence that stock prices can increase through a decrease in the activity ratio,

when the solvency ratio is also lowered.

4.   Conclusion

1.   The results of this study conclude that the liquidity ratio has a significant negative effect on stock prices. In other words, when the liquidity ratio increases, the stock price decreases.
2.   Profitability ratio has a significant positive effect on stock prices, vice-versa. In other words, the higher the profitability ratio, the higher the stock price.
3.   Inclusive activity ratios have a significant positive effect on stock prices, but reveal the opposite effect that an increase in activity ratios will affect a decrease in stock prices, vice-versa. Thus it can be concluded that the significant activity ratio has a negative effect on stock prices. In other words, the higher the activity ratio, the lower the stock price will be.
4.   The results of this study have not proven a significant negative effect of the solvency ratio on stock prices.
5.   The liquidity ratio has a significant negative effect on the solvency ratio. The more liquid a company is, the lower its debt ratio will be, vice-versa.
6.   The profitability ratio has a significant positive effect on the debt ratio. The higher the profitability ratio, the higher the debt ratio. These results indicate that the trade-off theory or static theory applies, which states that high profitability is used as a guarantee for getting a bigger debt.
7.   The results of this study reveal that the activity ratio is not sufficient evidence of a positive effect on solvency ratio.
8.   The results of this study indicate that the negative effect of the liquidity ratio on stock prices will be more positive when the solvency ratio increases. In other words, the solvency ratio positively mediates the negative effect of the liquidity ratio on stock prices. The negative effect of the liquidity ratio on the stock price will be more negative when the solvency ratio increases, vice-versa.
9.   The results of the path analysis from this study reveal that the inconclusive solvency ratio positively mediates the effect of the profitability ratio on stock prices. The positive effect of the profitability ratio on the stock price will weaken / decrease when the solvency ratio increases, vice-versa. So it can be concluded that the significant solvency ratio mediates the negative effect of the profitability ratio on stock prices. To increase the share price through increased profitability, it can be done when the debt ratio of the issuing company decreases.
10.   The solvency ratio mediates the negative effect of the activity ratio on stock prices. The negative effect of the activity ratio on the stock price will be more negative when the solvency ratio increases, vice-versa.

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