

The Effect of Liquidity and Solvency on Profitability in Agricultural Sector Companies Listed in the Indonesian Sharia Stock Index

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Abstract

Objective study this is 1) for know influence liquidity and solvency to profitability in Sector Companies Agriculture listed on the Indonesian Sharia Stock Index. 2) for know influence liquidity to profitability in Sector Companies Agriculture listed on the Indonesian Sharia Stock Index. 3) for know influence solvency to profitability in Sector Companies Agriculture listed on the Indonesian Sharia Stock Index. Population in study This totaling 25 companies. The sample used is 10 companies. Data used in study This is secondary data . Deep data collection techniques study This use method documentation. Study This using analytical techniques multiple linear regression. Research results show that There is influence liquidity and solvency to profitability. There is influence liquidity to profitability and there influence solvency to profitability.

Keywords: profitability, liquidity, solvency.

1. Introduction

Sector agriculture have abundant uses in increase superiority consumption , prosperity farmer and raise field work in Indonesia. Progress Work land agriculture still can materialized if sector valuable agriculture multifunction Can used with Good in advance growth the existing economy in Indonesia. company Sector agriculture move in the field management results agriculture, plantation, fishery and others. The average value of profitability in 2018-2019 experienced enhancement of 1.86 and 2.87%. However in 2020 value profitability experience decline by 0.18% and in 2021 it will happen enhancement from year previously by 3.37% and 0.18%. Profitability value the show that situation company moment This not enough well, because the more big profitability so the more Good performance company in get achieved profit with time already set. Likewise on the contrary, increasingly low profitability showing that the more No Good performance company in get achieved profit with time already set. The average liquidity value in 2018 was 0.89% . enhancement in 2019 by 1.15%. 2020 also happened high increase from in 2019 of 6.93%. However in 2021 experience big drop from in 2020 of 4.24% and 8.08%. Liquidity value the show that situation company moment This not enough well, because with the more increasing liquidity so the more Lots asset fluent companies that don't managed with well, cause debt increase and company No can pay off debt. On the contrary, more and more low liquidity so asset fluent company the more managed with Good so that resulted decrease amount owed companies and companies capable pay off debt. The average solvency value in 2018 was 0.38 % . enhancement in 2019 by 0.41%. But in 2020 and 2021 value solvency happen sufficient decrease big from in 2019 by 0.40% and 0.37%. solvency value the show that Situation company moment This not

enough well, because great solvency caused by the existence of total assets financed by debt. It means the more Lots assets used For finance operational company will increase burden debt received company so that company No capable For pay off all debt the. Likewise on the contrary, increasingly little assets used For finance operational company will reduce burden debt incurred company so that company will capable pay off all debt. The established company Certain aim For produce possible profit make company Can growing. However, with development of the business world moment this, competition between company become the more many. With it is increasing competition a lot, then company own obligation in manage source power with good and right. So that company owned more Good from another company. However, failure in strengthen economy company will cause bankruptcy company. For evaluate ability company in look for or produce expected profit This be measured with profitability.

Profitability is ratio used by the company For show ability in produce profit . Great asset will showing ability company in produce profit. Profitability in the company be measured with compare profits and assets obtained by Sanjaya, Surya et al (2018). Profitability company can rated with different ways, depending on income and assets or capital being compared. Ratio it also delivers information about effectiveness management company. Ratio profitability used For measure comparison between the components in the report finance, in particular balance sheets and reports profit loss Salma, Nur, Tiara, et al (2019). Factors that can influence profitability is liquidity company. Analysis potential investors should too notice liquidity company moment evaluate profitability company in make decision invest. Liquidity show ability company For pay off debt in period short Fachri, Saiful, et al (2021).

Liquidity is possible ratio used in companies For know success in fulfil moderate debt walk. Ratio liquidity show ability company For fulfil obligatory obligations quick paid off. If company can fulfil obligations, the company the stated liquid. Otherwise, if company fail fulfil obligation, then company the stated ilikuid Santi and Mai (2018). Another factor that can influence profitability is solvency. Solvability own impact important for company Because as source funding in increase growth in the company. Company that owns profitability tall because obtain debt with amount that is not Lots compared to company that has profitability low because company with high debt can use part how much money they have collect For fulfil need they Fachri, Saiful, et al (2021). Solvability is ratio For measure ability company in pay off debt borne by the company. A company is said to be solvable if own enough assets For pay all his obligations. also otherwise, if company own low assets than debt so company said to be insolvable Nurcahyani, Ratih, Dewi, et al (2021).

2. Literature Review

Profitability. According to Amalia and Meilisa (2019) ratio profitability is the required ratio For evaluate company in obtain profit at that time set. ratio This used For show efficiency in manage the profits in the company. Because ratio This showing manage finance in a manner whole in meaning big or its small profit This obtained with exists results sales and investment from company. Profitability be measured with *return on assets*. According to Nurhaini and Elijah (2020) *return on assets* is measured ratio as acquisition company in accept profit of the total assets owned. Asset owned This is all assets in the originating company from capital as well used For continuity life company.

Liquidity. According to Cashmere (2018) ratio liquidity is measuring ratio ability company in pay off debt smoothly on time set. liquidity big one show that company No face obstacle in fulfil all his obligations so that ability company in pay off obligation will the more ok. This can showing in pay debt period short, incl cost operations and assets period as short as possible resulted debt to the company in the future come Management effective debt Can help company For prevent happening risk No capable pay debt with appropriate time. One side, control debt This can prevent exists expenditure asset that company too Lots Dirmansyah, Octaviana, Lala, et al (2022). Liquidity be measured with *quick ratio*. According to Kasmir (2018) *quick ratio* is showing ratio company For pay off debt fluent with manage asset as well as without take into account mark supplies. Ratio This show exists mark supplies made component asset fluent For No managed company in pay debt Because mark supply This difficult For restored with fast without experience decline value.

Solvability. According to Cashmere (2018) ratio solvency is measured ratio with exists assets fluent financed by debt. It means company will bear how much big burden debts earned compared to with assets smoothly. Management good ratio will give benefit for company To use pay off debts in the company Cashmere (2018). Solvability be measured with *debt to asset ratio*. According to Amelia and Nitema (2021) *debt to asset ratio* is ratio managed by the company For calculate the total debt with total assets. In a broad sense, it says that *debt to asset ratio* used For measure percentage how much big originating assets from debt company.

3. Research Method

Type Study. Type possible research used in research This that is study associative. because study associative can used For showing connection between variable liquidity (X_1) and solvency (X_2) to profitability (Y) in Sector Companies Agriculture listed on the Indonesian Sharia Stock Index. Data used in study This is secondary data. Due to secondary data is the data obtained in a manner No directly on the object study but obtained from internet sites with use document report financial services on the website www.idx.co.id. Method data collection used in study This use method documentation . because method that can used For get inside data form document in the form of report data Sector Corporate finance Agriculture listed on the Indonesian Sharia Stock Index through the official website www.idx.co.id. According to Sujarweni and Lila (2019) population is place results observation to something problem already chosen For made material research. Population in study This totaling 25 Sector Companies Agriculture on the Indonesia Stock Exchange. According to Sujarweni and Lila (2019) samples is part from a number characteristics possessed by the population and used as research. Retrieval technique sample in research This use *purposive sampling*. *Purposive sampling* is technique performed For retrieve data with apply samples that have considered. As for the criteria in choose a must sample fulfilled is a Sector Company Agriculture on the Indonesia Stock Exchange, Sector Companies Agriculture that is on the Indonesian Stock Exchange but No listed on the Indonesian Sharia Stock Index. According to Sujarweni and Lila (2019: 141) multiple linear regression analysis is a regression tool by entering data on one dependent variable and several independent variables used. This analysis is used as a measure of the average value and the correlation between the independent variables and the dependent variable.

4. Findings and Discussions

Table 1. Analysis Test Results Regression

Model		Unstandardized Coefficients			Standardized Coefficients
		B	std. Error		Betas
1	(Constant)	.456	.199		
	Liquidity_X1	.134	.081		.250
	Solvability_X2	.409	.189		.327

Based on results processed data in table IV.1 then can said that mark constant is (a) 0.456. Coefficient liquidity (B1) 0.134 and coefficient solvency (B2) 0.409. so that results from test multiple linear regression on the table on can is known equality regression double is as following : $Y = 0,456 + 0,134 X1 + 0,409 X2$. Based on equality multiple linear regression in table IV.6, value constant of 0.456. It means if liquidity and solvency The same with zero so profitability will increase of 0.456. Calculation results mark coefficient variable liquidity on of 0.134. It means if liquidity experience enhancement so profitability will too increase of 0.134. increasing liquidity too said that exists influence positive to profitability . Calculation results mark coefficient variable solvency on of 0.409. It means if solvency experience enhancement so profitability will too increase of 0.409. increasing solvency as well said that exists influence positive to profitability.

Table 2. F test results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.010	2	.005	4,996	.012 ^b
	residual	.035	37	.001		
	Total	.045	39			

Based on results processed data in table IV.2 with level real 5% (0.05) and degrees freedom = $nk-1 = 40-2-1 = 37$. Obtained mark $f_{table} = 3.25$ then $F_{count} 4.996 > F_{table} 3.25$ or F significance $0.012 < 0.05$ means that H_0 is rejected and H_a is accepted. So that can explained in the research that There is influence significant liquidity and solvency to profitability in Sector Companies Agriculture listed on the Indonesian Sharia Stock Index.

Table 3. Test Results t

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
1 (Constant)	.456	.199		2,295	.027
Liquidity_X1	.134	.081	.250	1653	.017
Solvability_X2	.409	.189	.327	2.159	.037

Based on results processed data in table IV.3 value t_{table} with level real 5% (0.05) and degrees freedom = $nk = 40-2 = 38$ so obtained t_{table} of 1.30485. Significance value liquidity amounted to 0.017 and t_{count} totaling 1,653 up to $t_{count} 1.653 > t_{table} 1.30485$ and significance liquidity $0.017 < 0.05$ means that H_0 is rejected and H_a is accepted. This shows that there is influence significant liquidity to profitability in Sector Companies Agriculture listed on the Indonesian Sharia Stock Index. Significance value solvency amounted to 0.037 and t_{count} totaling 2,159, thus $t_{count} 2.159 > t_{table} 1.30485$ and significance solvency $0.037 < 0.05$ means that H_0 is rejected and H_a is accepted. This shows that there is influence significant solvency to profitability in Sector Companies Agriculture listed on the Indonesian Sharia Stock Index.

Table 4. Coefficient Test Results Determination

Model	R	R Square	Adjusted Square	R std.	Error of the Estimate
1	.461 ^a	.213	.170	.03094	

Based on results processed data in table IV.4 is obtained R Square value of 0.213 or 21.3%. Shows that variable liquidity and solvency to profitability by 21.3%. Whereas the rest of 78.7% have explained by other variables or outside variable research. The existing r square value under number or not enough of 50% shows that connection variables used No effective. The effect of liquidity and solvency on profitability in Agricultural Sector Companies listed on the Indonesian Sharia Stock Index. Based on F test results with a significant level of 5% or 0.05 and degrees of freedom = $nk-1 = 37$. Obtained $F_{table} = 3.25$, then $F_{count} 4.996 > F_{table} 3.25$ or F significance $0.012 < 0.05$ means H_0 rejected and H_a accepted. So this study found that there is a significant effect of liquidity and solvency on profitability in agricultural sector companies listed on the Indonesian Sharia Stock Index. This is in accordance with the theory of Wahyuni, Asri, et al (2018: 6) which reveals that high liquidity means that the company is able to pay off all short-term debt so that the company's profitability will increase because investors believe that the company is in a stable financial condition. This means that the higher the liquidity, the greater the company's ability to pay off short-term debt and the higher the company's profitability is.

achieved. This is in accordance with the theory of Meilia, Dwiarti, et al (2022: 92) which reveals that high company solvency will have a large impact on the risk of failure, but there is an opportunity for investors to make large profits as well. This means that the higher the solvency, the higher the profitability of the company. These results are also supported by research conducted by Anis and Fadhila (2017), Kania, Putri, Dwi, et al (2019), stating that liquidity and solvency own influence positive and significant to profitability.

The effect of liquidity on profitability in Agricultural Sector Companies listed on the Indonesian Sharia Stock Index. Based on t test results with level real 5% or 0.05 and degrees freedom = $nk = 40 - 2 = 38$. $t_{\text{count}} 1.653 > t_{\text{table}} 1.30485$ and significance liquidity $0.017 < 0.05$ means that H_0 is rejected and H_a is accepted. So that study This obtained that There is influence positive and significant liquidity to profitability in Sector Companies Agriculture listed on the Indonesian Sharia Stock Index. this in accordance with the theory of Sari, Meilan, Riska, et al (2020: 260) which reveals that high liquidity chance raises no funds actual use can used For invest in increase profitability. It means the more tall liquidity so the more big acquired assets with effective so that ability company in obtain profitability will the more ok. This result is also supported with research conducted by Felany and Worokinasih (2018), Cahyani and Stohang (2020) stated that There is influence positive and significant liquidity to profitability.

The effect of solvency on profitability in Agricultural Sector Companies listed on the Indonesian Sharia Stock Index. Based on t test results with level real 5% or 0.05 and degrees freedom = $nk = 40 - 2 = 38$. $t_{\text{count}} 2.159 > t_{\text{table}} 1.30485$ and significance solvency $0.037 < 0.05$ means that H_0 is rejected and H_a is accepted. So that study This obtained that There is influence positive and significant solvency to profitability I Sector Companies Agriculture listed on the Indonesian Sharia Stock Index. this in accordance with theory Hasanah and Titi (2021:62) which reveal that with exists level high solvency signify company the own good performance so that company No experience difficult and capable pay loan from creditor. It means the more tall solvency so will the more big the amount of loan capital used For investment in assets To use produce profitability company. This result is also supported with research conducted by Putra, Ekky, Pratama, et al (2017), Herman, Prijantoro, et al (2022), stated that There is influence positive and significant solvency to profitability.

5. Conclusion

There is influence significant liquidity and solvency on profitability in Agricultural Sector Companies listed on the Indonesian Sharia Stock Index. There is a positive and significant effect of liquidity on profitability in agricultural sector companies listed on the Indonesian Sharia Stock Index. There is a positive and significant influence of solvency on profitability in Agricultural Sector Companies listed on the Indonesian Sharia Stock Index.

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