

THE RELATIONSHIP OF LIQUIDITY, DEBT AND SHARIA STOCK INVESTMENT'S RISK MODERATED BY FINANCIAL PERFORMANCE

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Abstract: This study aims to test the effect of liquidity and debt on Sharia stock investment's risk moderated by the financial performance of the Jakarta Islamic Index firm. The population in this study are all Jakarta Islamic Index firms listed on the Indonesia Stock Exchange in 2015-2019. The sampling technique uses purposive sampling and obtained a sample of 110. Data are obtained from Indonesia Stock Exchange. Data analysis uses moderating regression analysis. The results show that liquidity has a significant negative influence on sharia stock investment risk, meanwhile debt has a significant positive effect on sharia stock investment risk. Liquidity is more sensitive to investment risk in high-performing firms than low-performing firms, while debt is more sensitive to the risk of investing in stocks in low-performing firms than high-performing firms.

Keyword: *Sharia stock investment's risk, liquidity, debt, financial performance.*

A. Introduction

Investment activity is no longer a new thing for people who understand business and economics. A person's motivation or institution's to invest is very heterogeneous. It can be because of the desire, need, increasing income, reducing inflation and of the uncertainty of the future. Investment is the management of an asset that can provide profitable results in the future. It can be divided into two, those are, investment in the real sector and that in the financial sector with the aim of obtaining profit. The available means to invest in the financial sector is the capital market or stock exchange. Meanwhile, investment in the capital market in the form of securities such as stocks, bonds and others is to get the expected profit, in this case it can be in the form of capital gains or dividends. Nevertheless, investors are also exposed to risks when investing in the capital market.

Investment in financial assets in recent years has been used as a way to develop the capital owned. Nowadays people has been easily able to access capital market information. It has been also easy to choose investments in financial assets that can provide high profits with minimized risk. This has an impact on the current development of the sharia economy, where the majority of the Indonesian population is Muslim. Therefore, it needs to pay attention in developing a capital market based on Islamic sharia.

The development of the sharia capital market in Indonesia has started since 1997 marked by the issuance of sharia mutual funds. Furthermore, the Jakarta Islamic Index was launched in 2000 with the intention of being a place for investors who wish to invest their funds in accordance with Islamic sharia principles. The hope is that investors can be given the choice of investing in shares suitable with sharia in the Jakarta Islamic Index. In the next year of 2001 the National Sharia Council of the Indonesian Ulema Council issued a *fatwa* (Ulema's legally advice) about the capital market, namely *Fatwa* Number 20/DSN-MUI/IV/2001 concerning with investment guidelines for sharia mutual funds. The development of sharia investment in the capital market has increased with the existence of Islamic bonds PT. Indosat, Tbk. in September 2002 which was the first sharia bond with a *mudharabah* contract and has grown till now.

The sharia capital market as a sub-system of the existing capital market in Indonesia uses the principles referring to Law Number 8 of 1995 about the capital market and its regulations of implementation (Capital Market and Financial Institution Supervisory Agency Regulations, Government Regulations, Exchange Regulations and others). Up to now, Capital Market and Financial Institution Supervisory Agency has issued regulations relating to the Islamic capital market, those are: 1) The Regulation of Capital Market and Financial Institution Supervisory Agency Number IX.A.13 about Issuance of Sharia Securities; 2) The Regulation of Capital Market and Financial Institution Supervisory Agency Number IX.A.14 concerning with Contracts Used in Issuing Sharia Securities in the Capital Market; and 3) The Regulation of Capital Market and Financial Institution Supervisory Agency Number II.K.1 about Criteria and Issuance of Sharia Securities List.

The capital market is an activity related to the public offers and securities' trade, public companies associated with the securities issued, as well as institutions and professions relating to securities (Law Number 8 of 1995). From this definition, sharia capital market can be defined as activities in the capital market regulated in capital market laws that are not against with sharia principles. Thus, the sharia capital market is a part of the existing capital market system on the IDX. Likewise,

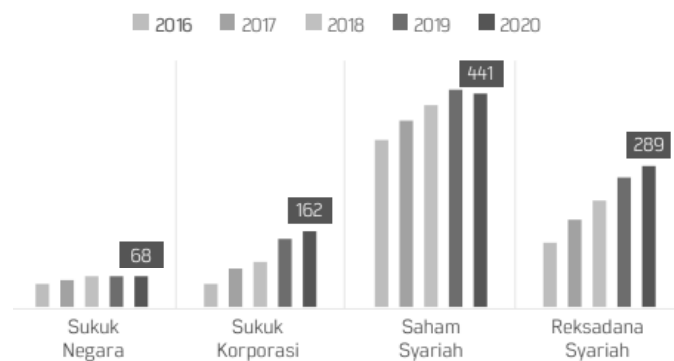
it has differences with the conventional capital market, especially in the transaction mechanism and its products, which must be in accordance with Islamic sharia principles. For example, it should be in line with the National Sharia Council *Fatwa* Number 80 of 2011 in which stock transactions in sharia must really utilize the principle of prudence and not manipulate, speculate and take actions containing the elements of *gharar* (uncertainty in transaction), *dharar* (damage or loss in transaction), usury and other acts of injustice.

Other difference lies in the criteria of the sharia issuer as regulated in Financial Services Authority Regulation Number II.K.1 and also in the *Fatwa* of the National Sharia Council–Indonesian Ulema Council (NSC-IUC) Number 40/DSN-MUI/2003, among others: 1) Do not carry out business activities classified as a gambling, a trade not accompanied by the delivery of goods and services, usury financial services (such as conventional banks and conventional insurance), carrying out production, distribution, and trade in goods or services whose substances are unlawful and/or morally damaging, as well as conducting bribery transactions; and 2) From the financial aspect, the issuer has a total interest-based debt ratio compared to total assets of no more than 45%, and a maximum total non-*halal* income of 10%.

The implementation of sharia principles in the Indonesian capital market is based on the Al-Quran and Hadith, then the scholars interpret it as the science of *fiqh*. The science of *fiqh* discussing the relationship between human beings related to trade is called *muamalah*. This *fiqh muamalah* is used as the basis for sharia capital market activities in Indonesia. The basic principle used in the sharia capital market is the postulates in its rules stating that basically all forms of *muamalah* are permissible unless there are arguments that forbid it.

Up to now, the sharia capital market in Indonesia has already based on a *fatwa* and legal basis issued by the National Sharia Council-Indonesian Ulema Council (NSC-IUC) since 2001, i.e. 1) *Fatwa* number 20/DSN-MUI/IX/2001 about Guidelines for Investment Implementation for Sharia Mutual Funds; 2) *Fatwa* Number 32/DSN-MUI/IX/2002 concerning with Sharia Bonds; 3) *Fatwa* Number 33/DSN-MUI/IX/2002 relating to *Mudharabah* Sharia Bonds; 4) *Fatwa* Number 40/DSN-MUI/X/2003 telling about the Capital Market and General Guidelines for the Implementation of Sharia Principles in the Capital Market Sector; 5) *Fatwa* Number 41/DSN-MUI/III/2004 about Sharia *Ijarah* Bonds; 6) *Fatwa* Number 59/DSN-MUI/V/2007 concerning with Convertible *Mudharabah* Sharia Bonds; 7) *Fatwa* Number 65/DSN-MUI/III/2008 consisting of Sharia Pre-Emptive Rights (SPER); 8) *Fatwa* Number 66/DSN-MUI/III/2008 about Sharia Warrants; 9) *Fatwa* Number 69/DSN-MUI/VI/2008 concerning with State Sharia Securities (SSS); 10) *Fatwa* Number 70/

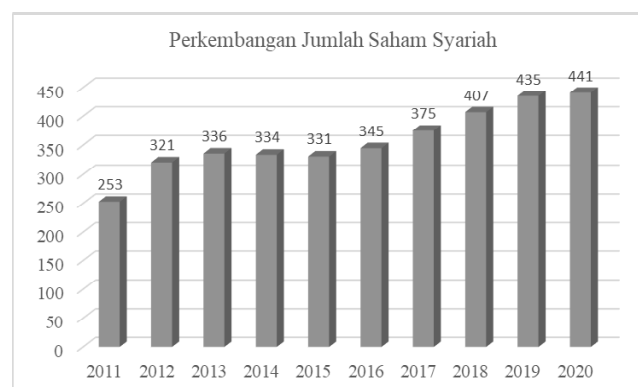
DSN-MUI/VI/2008 relating to SSS Issuance Methods; 11) *Fatwa* Number 71 / DSN-MUI/VI/2008 about Sale and Lease Back; 12) *Fatwa* Number 72 / DSN-MUI/VI/2008 concerning with SSS *Ijarah* Sale and Lease Back; 13) *Fatwa* Number 76 / DSN-MUI/VI/2010 telling about SSS *Ijarah* Assets To Be Leased; and 14) *Fatwa* Number 80 / DSN-MUI/III/2011 consisting of the Implementation of Sharia Principles in the Equity Securities Trading Mechanism in the Regular Market of the Stock Exchange. In addition, there is one law that regulates SSS (State Sharia Securities), namely: Law number 19 of 2008 about State Sharia Securities. The development of the number of sharia capital market products in Indonesia in 2016-2020 can be seen in Graph 1.



Graph 1. Development of Sharia Capital Market Products in Indonesia

Source: Financial Services Authority, 2021

Based on Graph 1, sharia capital market products during the 2016-2020 period are dominated by sharia shares compared to sharia mutual funds, corporate *sukuk* and state *sukuk* in which the number of issuers was 441 in 2020. The development of the number of sharia shares in Indonesia for the period 2011-2020 can be seen in Graph 2.

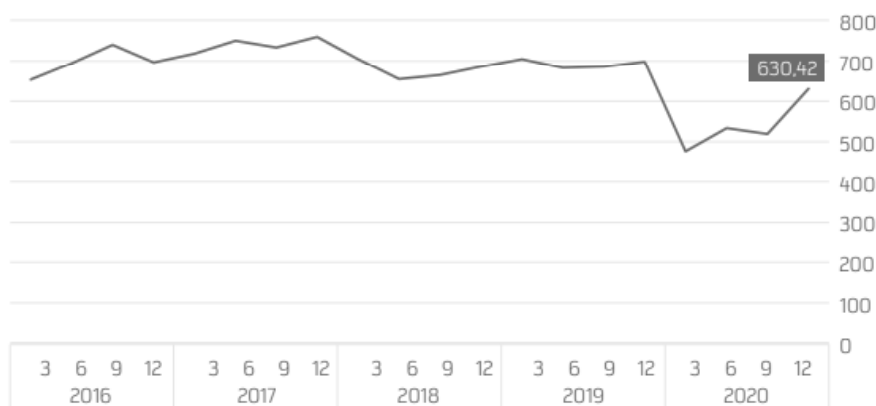


Graph 2. Development of Sharia Capital Market Products in Indonesia

Source: Financial Services Authority, 2021

Graph 2 shows an increasing trend in the number of sharia shares from 2011-2020, although there was a slight decline in 2014 and 2015 due to sluggish world economic conditions and two companies out in 2014 and three companies out in 2015. From the data, it shows that the development of shares based on Islamic sharia principles is very satisfying.

One of the Islamic stock indexes in the Indonesian sharia capital market is the Jakarta Islamic Index (JII). JII is the first sharia stock index in the Indonesian capital market, exactly starting to operate in 2000. Its members are the 30 most liquid sharia stock issuers and are reviewed twice a year. Its development during the 2016-2020 period as shown in Graph 3 shows that the trend of the sharia stock index incorporated in JII significantly declined in the first quarter of 2020. This was due to the onset of the Covid-19 pandemic in Indonesia. However, it can gradually increase again in the next quarter.



Graph 3. Development of the Jakarta Islamic Index

Source: Indonesia Stock Exchange, 2021

When investors choose to invest in stocks, they are faced with two things, those are return and risk. Consequently, they must be able to properly manage the existing risks by applying diversification or portfolios in order to get a return that matches their expectations. Risk can be measured using beta. Beta is a measure of the systematic risk of a security or portfolio relative to market risk¹. The beta of a security is important for analyzing a security or portfolio. It shows the sensitivity of the level of a security profit toward the market changes². Systematic risk occurs outside the company and will affect the market as a whole. In other words, this risk is beyond the control of investors, so they have to automatically face it. Thus,

1 Hartono, Jogyanto, 2017, *Teori Portofolio dan Analisa Investasi*, Edisi Kesebelas, BPFE, Yogyakarta, p.464

2 Ramadani, S., Sri M., dan Ichi, "Pengaruh Dividen Payout Ratio, Financial Leverage, dan Profitabilitas Terhadap Beta Saham", *Islamic Economic, Accounting and Management Journal (Tsarwatica)*, vol.I, no.1.

investors are expected to be good at reading the situation, in order to save the funds invested and be able to minimize losses³.

Fundamental factors that can be used to predict stock risk are liquidity and debt policy. Liquidity is the company's ability to meet short-term obligations.⁴ In this research, liquidity is measured by the current ratio, that is, current assets divided by current liabilities. Research conducted by Beaver et al in Hartono (2017) shows that liquidity has a negative relationship with beta. So, the higher the current ratio, the more liquid the company is. The more liquid the company, the less risk it will bear. In addition, Sarumaha (2017) and Masdupi and Noberlin (2015) research shows that liquidity has a negative effect on stock beta, on the other hand, Sapar's research (2017) shows that liquidity has no significant positive effect on stock beta.

Debt policy can also be used to predict stock risk. It is a company policy to meet its financial needs by using sources from debt to other parties.⁵ In this study, it was measured by using the debt to equity ratio (DER). DER is a ratio used to measure the ratio between total debt and total equity.⁶ The higher the DER, the higher the beta value. The research of Kusuma, (2016), Laraswati, et al (2018) and Zeinora (2017) shows that debt policy has a positive influence on stock risk. On the contrary, different results are shown by Purbawisesa and Sampurno (2016) that debt has a significant negative effect on stock beta.

Based on the research results showing contradictory results and the phenomena in sharia shares which show an increasing trend in number and a significant decline of the sharia stock index incorporated in the JII at the beginning of the pandemic in Indonesia, the writer proposes the company's performance to moderate the relationship between liquidity and debt policy with the risk of sharia shares being risky incorporated into JII as a novelty in this study. Financial performance is included as a moderating variable because it measures the sensitivity level of company performance as a proxy for return on assets (ROA) to stock beta.

3 Laraswati, Dewi, Akbar Yusuf, dan Fitriingsih Amalo, 2018, "Pengaruh Faktor-Faktor Fundamental (Current Ratio, Return On Asset, Return On Equity, Total Asset Turnover, Debt To Equity Ratio, dan Asset Growth) Terhadap Beta Saham Syariah di Bursa Efek Indonesia", *Jurnal Akuntansi (JA)*, vol.V no.2, hlm. 14-32.

4 Hidayat, R., Wahyudi, S., Muharam, H., Shaferi, I., and Puspitasari, I. 2019. The Improve Level of Firm Value With Liquidity, Debt Policy and Investment in Indonesian Emerging Market. *Revista Espacios*, 40(40)

5 Ibid 4

6 Hery, 2016, *Analisis Laporan Keuangan*, Grasindo, Jakarta, p.143

B. Literature Review and Hypotheses Development

1. Teori Sinyal (*Signalling Theory*)

This research is based on signal theory.⁷ and several other researchers have developed a signaling model for corporate capital structure based on the problem of information asymmetry between managers (who have good information) and outside shareholders (who have little information). The signaling model is based on the assumption that managers who have more information than outside investors will provide good information or news to the public with the aim of increasing stock prices. However, the existence of information asymmetry causes outside investors not to simply believe in the announcements conveyed by managers because the information may be the same as those delivered by other companies, so outside investors need time to wait for the truth of the delivered announcements.

One of solutions that can be used by managers who really have good information about their companies is to give a signal to investors by taking an action or policy that cannot be imitated by a company that does not have as good information as their information. The signal, according to⁸, is an activity that can impose a large cost on the signaling company in order to make uninformed outside investors able to believe in what is conveyed. Signals can be trusted if other companies that do not have the same performance as those of the signaling company are difficult to imitate (mimic) the signal.

⁹ states that companies with good performance can give a signal with a high portion of debt in their capital structure, while companies with poor performance may not dare to use large amounts of debt because it has the potential to cause bankruptcy.¹⁰ also suggests that the company dare to take external funding sources in funding a project shows a signal that the project has a high intrinsic value. The addition of new debt can also be a signal, because only company having good prospects of relatively stable income is brave to increase their debt portion.

The signaling model provides a good explanation about differences of market responses from different types of securities issued by companies. Issuance of debt can be a signal of “good news” in the form of managers’ confidence in the company’s performance in the future, which results in an increase in prices with the

7 Ross, S. A. 1977. The Determination of Financial Structure: The Incentive-Signalling Approach. *The Bell Journal of Economics*: 23-40.

8 Van Horne, J. C., & Wachowicz, J. M. 2009. *Fundamentals of Financial Management: 13th Edition*: Dryden Press.

9 Ibid 7

10 Leland, H., & Pyle, D. H. 1977. Informational asymmetries, financial structure, and financial intermediation. *The journal of Finance*, 32(2): 371-387.

announcement of an increase in debt. On the other side, the issuance of new shares is considered as “bad news” which is the possibility of falling profits in the future, so that the value of the shares decreases due to the announcement of new shares.¹¹

2. Relationship between Liquidity, Financial Performance and Stock Beta

Liquidity proxied by the current ratio is a comparison between current assets and current liabilities.¹² Riyanto in¹³ defines liquidity as the company’s ability to pay debts which must immediately be filled with current assets. A high current ratio illustrates that the company has the ability to pay off its maturing obligations. If the company has a high current ratio value, it means that the company is in a liquid state. This will give a good signal for investors because the company can provide a high return so that the risk/beta of the stock is low. According to Beaver, et al in¹⁴ liquidity is predicted to have a negative relationship with beta, which is rationally known that the more liquid the company, the smaller the risk. The results of research by Masdupi and Noberlin (2015), Sarumaha (2017), and Hermawan (2018) show that liquidity has a negative effect on stock beta. Based on this description, the first hypothesis is: liquidity has a significant negative effect on the risk of sharia stocks.

A liquid company is a company that has good financial capabilities, because it is able to meet its short-term obligations. As a result, it will also be able to generate high profits. In other words, the liquid company tends to be sensitive to the risk of stocks with high financial performance. The research results by Yulia and Pohan (2015) and Zeinora (2015) describe that ROA has a negative effect on stock beta. So, the second hypothesis in this study is: liquidity is more sensitive to the risk of Islamic stocks with high financial performance than companies with low financial performance.

3. Relationship between Debt Policy, Financial Performance and Stock Beta

Debt policy, in this study, is proxied by debt to assets ratio (DAR). According to¹⁵, the debt to assets ratio is the ratio used to assess debt to assets or a comparison between all debts, including current debt and all assets. DAR is useful for knowing the amount of funds provided by the borrower (creditor) with the owner of the

11 Vithessonthi, C., & Tongurai, J. 2015. The effect of leverage on performance: Domestically-oriented versus internationally-oriented firms. *Research in International Business and Finance*, 34: 265-280

12 Hartono, Jogiyanto, 2017, *Teori Portofolio dan Analisa Investasi*, Edisi Kesebelas, BPFE, Yogyakarta, p.480

13 Ridwan, Nur dan Nuramalia Hasanah, 2015, “Pengaruh Inflasi, Likuiditas, Variabilitas Laba terhadap Beta Saham Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia Periode 2010-2013”, *Jurnal Ilmiah Wahana Akuntansi*, vol.X no.1, hlm. 88-107.

14 Ibid 12

15 Kasmir, 2018, *Analisis Laporan Keuangan*, Edisi Pertama, Cetakaan Kesebelas, RAJAGRAFINDO PERSADA, Depok, p.157

company. In other words, its functions is to find out every rupiah of assets used as collateral for debt. If the DAR value is high, it indicates that the company has a large debt, and the higher risk will be borne by the company. This can reduce the company's profitability and provide a negative signal for investors to invest. According to Hamada in¹⁶ when the DAR of an asset increases, the company's systematic risk proxied by beta will also increase. The research results of Zeinora (2015) and Laraswati, et al (2018) show that debt has a significant positive effect on stock beta. Therefore, the third hypothesis proposed is: debt policy has a significant positive effect on the beta of sharia stocks.

If companies have high debt, they have a high risk as well. According to the *Fatwa* of the National Sharia Council, the total interest-based debt compared to total assets of sharia companies is not more than 45%. It means that if the company has a high portion of debt, the company's risk will also be high. Moreover, companies that have debt will be more sensitive to stock risk in low performance companies than high performance ones. From the description, the fourth hypothesis proposed is: debt policy is more sensitive to the risk of sharia stocks with low financial performance companies than those with high performance.

C. Research Method

The sample of this study are companies incorporated in the Jakarta Islamic Index (JII) on the Indonesia Stock Exchange. The sampling technique uses purposive sampling with the following criteria: 1) Sharia stock companies must be the members of the Jakarta Islamix Index and publish their financial reports for the 2015-2019 period; 2) Sharia stock companies have complete data appropriate with the variables studied, namely: *current ratio*, *debt to assets ratio*, *return to assets*, and *stock prices*. Based on these criteria, there are 22 sharia stock companies incorporated in JII that meet the sample criteria for five years, so there are 110 observations. Data are obtained from the official website of the Indonesia Stock Exchange and PT. Pefindo. The data analysis technique in this study uses moderation regression with the following model.

$$Beta_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 DAR_{it} + \beta_3 DROA_{it} + \beta_4 CR_{it} * DROA_{it} + \beta_5 DAR_{it} * DROA_{it} + u_{it} \quad (1)$$

CR(current ratio), in this case, is a proxy for liquidity as an independent variable.¹⁷ states that the current ratio is measured by current assets divided by current debt.

16 Sari, Andini Novita, 2019, "Pengaruh Faktor Fundamental Terhadap Risiko Sistematis (BETA) pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2015-2017", *Tesis Fakultas Ekonomi Universitas Negeri Yogyakarta*, hlm.4.

17 Ibid 15, p.135

DAR (debt to assets ratio) is a proxy for debt policy as an independent variable, as¹⁸ stating that DAR is total debt divided by assets. DROA (dummy return on assets) is a proxy for financial performance as a moderating variable, in line with Hery’s statement¹⁹ that ROA is measured by net income divided by total assets. Companies whose ROA value is greater than the average ROA value of the entire sample are given a value of 1 and companies that have an ROA value below the average ROA value of the entire sample are given a value of 0. CR*DROA and DAR*DROA are interactions between independent variables and variables moderation.

Beta is a measure of the risk of sharia stocks used as the dependent variable. It is a measure of the volatility of a security’s return or portfolio return to market returns. According to²⁰, portfolio beta measures the volatility of portfolio returns with market returns. A beta of 1 indicates that the systematic risk of a security or portfolio is equal to the market risk. Beta equal to 1 also indicates that if the market return moves up (down), the security or portfolio return also moves up (down) as much as the market return. To calculate the beta of a stock, it uses the following steps: the first step is to calculate the return of each stock and market index.

$$R_i = \frac{P_i - P_{i-1}}{P_i} \dots\dots\dots(2)$$

In this study, R_{it} is stock return i or market index in period t, then P_{it} is stock price i or market index in period t and P_{it-1} is stock price i market index in period t-1. The second step is to do a regression test between stock price returns and market index returns for the last 3 years period so as to get the beta value with the following model.

$$R_i = \alpha_i + \beta_i Rm_t + e_{it} \dots\dots\dots(3)$$

From the above equation, R_i is the raw beta of stock i, R_{it} is the stock return in period t, Rm_t the market index return in period t, α_i is a constant and e_{it} is the regression residual which is expected to be white noise (the average of error is zero). The final step is to calculate the adjusted beta which is used to normalize the raw beta to match the characteristics of a good stock beta, that is, close to 1, with the following measurements.

$$Adjusted\ Beta = \frac{2}{3} \times (Raw\ Beta) + \frac{1}{3} \times (1) \dots\dots\dots(4)$$

18 Ibid 15
 19 Ibid 6, p.193
 20 Ibid 1

D. ANALYSIS and DISCUSSION

Based on the sample selection criteria, there are 43 sharia companies incorporated in the Jakarta Islamic Index (JII) for the 2015-2019 period, where 21 companies are not consistently included in the JII during the study period, so the final sample are 22 companies with 110 observations. Table 1 is the sample selection process.

Table 1. Sample Selection Process

Criteria	Total Number
The Number of sharia companies registered in JII for the 2015-2019 period	43
Inconsistent Islamic companies in 2015-2019	(21)
Final sample	22
The total of observations	110

Source: Data processed, 2021.

From the 110 observations, descriptive statistics can be explained as in Table 1 which shows that the maximum value of debt policy proxied by the debt to assets ratio (DAR) is 0.34 or 34%, still below the *fatwa* standard of the DSN 45%.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Deviation Std.
CR	110	54,00	1557,00	258,7170	211,4702
DAR	110	0,10	0,34	0,0280	0,0139
ROA	110	-9,00	92,10	8,1071	9,8763
BETA	110	0,33	2,415	0,9304	0,4001
N	110				

Source: Data processed, 2021

Table 2 shows that the average ROA value is 8.1071. The average value of ROA is used as a cut off between companies that have high financial performance and low financial performance. As a result, the number of observations of sharia companies with high performance is 94 and the lowest is 16. The descriptive statistics based on company performance can be seen in Table 3.

Table 3. Descriptive Statistics Based on Financial Performance

Variable	High Financial Performance				Low Financial Performance			
	Min	Max	Mean	Deviation Std.	Min	Max	Mean	Deviation Std.
CR	60,60	1557,00	257,1031	211,4702	27,00	421,98	142,0826	97,5364
DAR	0,15	0,34	0,2800	0,0139	0,10	0,23	0,1892	0,2113
ROA	10,12	92,10	8,3247	9,7892	-9,00	-0,03	-4,5069	5,3222
BETA	0,33	2,41	0,9169	0,3917	0,34	2,00	0,8825	0,3634
N	94				16			

Source: Data processed, 2021

Table 3 shows that there are significant differences in the financial performance of high-performing and low-performing companies. The results of hypothesis testing in this study can be seen in Table 4.

Table 4. Research Results

	B	Sig.
Constant	1,049	
CR	-0,033	0,015
DAR	0,051	0,035
CR_DROA	-0,018	0,011
DAR_DROA	0,062	0,028

Source: Data processed, 2021

Note: CR is a proxy for liquidity and DAR is a proxy for debt policy as an independent variable. DROA is a moderating variable interacted with CR and DAR.

Table 4 shows that the current ratio as a proxy for liquidity has a significant negative effect on stock risk which is proxied by beta. It means that if the liquidity of sharia shares incorporated in JII increases, the risk that will be borne by investors will be smaller. Because sharia companies having high liquidity indicate that the company is a liquid company or a company that is able to meet its short-term obligations, the company has little risk or difficulty in fulfilling its obligations. It also reflects that the company is able to meet its short-term obligations by using its current assets. The more liquid the company is, the less risk it will accept. Ridwan and Hasanah (2015)²¹ propose that if the company has ability to pay debts, it must immediately pay them

²¹ Ibid 13

with current assets. High liquidity can make investors interested in investing into a company so that it gives a good signal for investors. This is in accordance with the research conducted by Sarumaha (2017)²² which shows that CR has a significant negative effect on stock risk.

Table 4 also shows that the debt to assets ratio (DAR) as a proxy for debt policy has a significant positive effect on risk proxied by beta. This means that if DAR as a proxy for debt policy increases, then the risk measured by beta will also increase. Conversely, if the DAR value decreases, the risk of the shares of sharia companies will also decrease. DAR shows the company's ability to meet long-term obligations (Purbawisesa and Sampurno, 2016).²³ If companies have low debt value, they have low risk as well. In this study, the maximum value of the DAR of the companies is 0.34 or 34%, meaning that it is still below the *fatwa* from the National Sharia Council (DSN) issuing that the maximum debt to asset ratio is 45%. In other words, sharia companies becoming the members of JII have a low debt value and low risk. The lower the debt ratio indicates good performance, because it will affect the increase of the return received and the risk is also low (Feranti et al. 2015).²⁴ The results of this study are in accordance with the research results conducted by Laraswati et al. (2018) which shows that debt policy has a significant positive effect on stock risk.

The test results of this study show that the company's financial performance proxied by ROA as a moderating variable are able to moderate the relationship between liquidity and debt policy with Islamic stock risk. It can be seen in Table 4 that the CR_DROA coefficient value is -0.018 which is smaller than the CR coefficient value of -0.033. The results also indicate that companies that have a high level of liquidity are sensitive to stock risk with high financial performance of sharia companies compared to those that have low financial performance. This means that a liquid company is a company that will be able to earn high profits with low risk, so that it will be able to maximize its financial performance. According to Tandililin (2010:372)²⁵, *return on assets* describes the extent to which the company's assets can generate profits. Thus, sharia companies incorporated in JII are able to utilize their assets properly to increase their profits and minimize their risk.

22 Sarumaha, Anius, 2017, "Analisis Pengaruh Makro Ekonomi dan faktor Fundamental Perusahaan Terhadap Beta Saham pada Industri Pertambangan Yang Terdaftar di Bursa Efek Indonesia", *Jurnal Ilmiah WIDYA Ekonomika*, vol.1 no.2

23 Purbawisesa, Annisa dan R. Djoko Sampurno, 2016, "Analisis Pengaruh Return On Asset, Dividen Payout Ratio, Asset, Growth, Debt To Equity Ratio, dan Operating Leverage terhadap Risiko Sistematis", *Diponegoro Journal Of Management*, vol.V no.3.

24 Ferranti, Della dan Ira Yunita, 2015, "Analisis Inflasi, Tingkat Suku Bunga, Dividen Payout Ratio, dan Current Ratio terhadap Risiko Sistematis", *Trikonomika*, vol.XIV no.1, hlm. 47-56.

25 Tandililin, Eduardus, 2010, *Portofolio dan Investasi*, Edisi Pertama, KANISIUS, Yogyakarta, p.372

The results of the interaction between debt policy (DAR) and financial performance (DROA) namely DAR_DROA in Table 4 also show that the debt policy of sharia companies is sensitive to stock risk in the companies having low financial performance, in which the DAR_DROA coefficient value of 0.062 is greater than the DAR coefficient value of 0.051. It reflects that companies in which their debt increases will have low financial performance or profits, because their income will be used to pay debts so that it will finally reduce their profits. Additionally, companies that are increasing in debt have a high risk as well, so they tend to have low financial performance.

E. CONCLUSION

Based on the test results as described earlier, it can be concluded that: first, liquidity has a significant negative effect on the financial performance of sharia companies incorporated in members of the Jakarta Islamic Index (JII), meaning that the more liquid sharia companies in JII are, the lower the risk. Second, debt policy has a significant negative effect on stock risk, meaning that the lower the debt owned by sharia companies, the lower the risk. Third, the liquidity of sharia companies is more sensitive to risk in high financial performance companies compared to those with low financial performance. Fourth, debt policy is more sensitive to the risk of shares of low financial performance companies than high financial performance ones. For future research agendas, it is better to compare them with conventional companies.

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