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Research Article

The Influence Of Systematic Risk And Liquidity On Stock Return Levels In Banking Companies Listed On The Indonesia Stock Exchange

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Abstract: This study aims to examine the effect of systematic risk and stock liquidity on stock returns. This study is an associative study with a clause approach. The variables used are independent variables, namely systematic risk and liquidity, and the dependent variable, namely stock returns. The population of this study is banking companies listed on the Indonesia Stock Exchange for 5 years (2019 - 2023). The sampling method uses a purposive sampling method with a sample size of 41 companies. The type of data used is secondary data with data collection techniques through documentation. The data analysis technique uses multiple linear regression analysis with the analysis tool used for testing is the Statistical Program for Social Science (SPSS) 25. The results of statistical tests show that systematic risk partially affects the level of stock returns, and liquidity also affects the level of stock returns. Then the results of simultaneous testing show that the variables systematic risk and stock liquidity affect the level of stock returns.

Keywords: Systematic Risk; Liquidity; Stock Return.

1. Introduction

The capital market has a big role for the economy of a country. The capital market has an economic function because it provides facilities or vehicles that bring together two interests, namely those who have excess funds (investors) and those who need funds (issuers). With the capital market, the party that has excess funds can invest these funds in the hope of obtaining a return (return) while the issuer (company) can utilize these funds for investment purposes without having to wait for the availability of funds and from the company's operations. Stocks are one of the most popular capital market instruments. Issuing shares is one of the company's options when deciding to fund the company. stocks are investment instruments that are chosen by many investors because stocks are able to provide attractive levels of profit.

In general, almost all investments contain an element of uncertainty or risk. In such circumstances it is said that the investor is facing risks in the investments he makes. The Investor is only able to estimate how much profit is expected from his investment, and how far it is likely that the actual result will later deviate from the expected result. Investment is an investment directly or indirectly, short-term or long-term, with the aim of obtaining a favorable rate of return. In this case, what needs to be considered is the risk of stocks that cannot be eliminated by diversification by investors, namely systematic risk as a determining variable for the expected stock return, because with high stock risk it will provide a high stock return. But actually there are several other determining variables that will also affect the rate of return on shares, namely the level of liquidity that can be calculated based on the bid-ask spread.

The rate of return on shares can be influenced by two main factors, namely systematic risk and liquidity. Because in general investors have a tendency to avoid risk (risk averse), then if investors are dealing with securities that contain high risk, he would expect to get a high rate of return as well. While in terms of liquidity, stocks with low liquidity levels will have large

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spreads which means that the greater the cost to be spent to convert stocks into cash or vice versa. With this high rate of return, it will have an impact on the size of the spread that can be compensated.

According to Dermawan (2014: 183) systematic risk is a risk faced by investors, even so, the source of the risk comes from factors that affect all (or many) companies, but some are specific to certain companies. While theliquidity or marketability of a financial asset leads to the ease with which the asset is sold in accordance with the value of the asset. The risk that arises because the shares cannot be sold is liquidity risk. Although the investor has assets of sufficient value to pay off its obligations, but when these assets can not be converted immediately into cash, then the investor is said to be illiquid.

According to Dermawan (2014: 132) the relationship between the expected return with the risk of expected return (expected return) and the risk that has a positive relationship. The greater the risk of a security, the greater the expected return. The opposite is also true, namely the smaller the expected return, the less risk that must be borne. This positive relationship only applies to the expected return or exante return (before the fact), that is, to the return that has not yet occurred. For irrational markets, sometimes high realized returns are not despite high risks. Even the opposite situation can occur, namely high realized returns have little risk. Saputra et al (2009) showed that both systematic risk and stock liquidity as measured by the size of the bid-ask spread have a significant effect on the rate of return on shares of business entities that go public in Indonesia. From the hypothesis test, it was found that systematic risk affects the rate of Return of a stock compared to the liquidity of the stock as measured by the amount.

The focus of this study is banking companies listed on the IDX. Banking companies are the-only companies that get guarantees from the government for their business activities. This is because banking companies get serious attention from the government because this company involves funding collected from the community as the main foundation of the company's operations. Banking companies are companies that are now very popular with investors, because throughout the year 2023 state-owned banks posted a significant increase in profits and dividends. In addition, a banking company is a type of company that is subject to risk because it involves managing public money and playing it back in various forms such as credit or other investments, so that it can cause significant fluctuations in financial statements. Because banking companies are full of risks, the level of prudence in operating will also be high. Investors tend to prefer companies that operate with a high level of caution because it will be able to reduce the risk that will be borne by the investor himself.

Researchers conducted research on stock returns, systematic risk and liquidity levels because, the development of the capital market in Indonesia towards an efficient direction where all relevant information can be used as input to determine stock returns and investor tendency to reject risk (risk averse), so that aspects of the information can be used as a basis for decision making.

2. Preliminaries or Related Work or Literature Review

2.1 Rate Of Return On Shares

According to Simanjuntak (2018: 11), stock return is the overall result of investment over a period and can be used to measure the performance of a company. Therefore, the performance of stocks is one of the factors that motivates the willingness of investors to invest and is the reward of the activity. Stockreturn can be defined as the return on income received by an investor, because he has invested, and has dared to take risks in investing. However, this can happen if the company is experiencing profits or making a profit.

2.2 Systematic Risk

Systematic Risk adalah (Bodie, et al (2014)) is a risk because fluctuations influenced by several macro factors can affect the market as a whole or can be said to be a risk that cannot be removed despite diversification. Macro factors generally affect stock prices in the capital market such as changes in the economic conditions of a country, politics, Tax Regulations, government policies and conditions of a country.

2.3 Liquidity

According to Widarjo et al, (2019), the liquidity ratio shows the company's ability to fund the company's operations and pay off the company's short-term obligations. This ratio compares the company's short-term liabilities with the company's short-term resources available to meet those obligations. This liquidity ratio also describes the company's current financial competence and the company's ability to remain competent if exposed to problems (Triwahyuningtyas, 2012).

2.4 Hypotesis

H1: Systematic risk affects the rate of return on shares of banking companies listed on the Indonesia Stock Exchange.
H2: Liquidity affects the rate of return on shares of banking companies listed on the Indonesia Stock Exchange.
H3: Systemic and liquidity risks affect the rate of return on shares of banking companies listed on the Indonesia Stock Exchange.

3. Proposed Method

The design of this study is an associative research with causal or causal relationships with the aim to examine the effect of systematic risk and liquidity on the rate of return on shares of banking companies listed on the Indonesia Stock Exchange. The number of samples used in this study was 41 banking companies listed on the Indonesia Stock Exchange listed 2019 - 2023 and issued complete financial statements.

Data analysis techniques using multiple linear regression analysis. The multiple regression equation is as follows :

$PS = \alpha + \beta 1RS + \beta 2\ Lk + e$

Description:

PS	= Rate of Return on Shares
RS	= Systemic Risk
LK	= Liquidity
α	= constant value
$\beta 1, \beta 2$	= coefficient
e	= Nilai error

4. Results and Discussion

4.1. Deskriptive Statistics

Descriptive statistics are those that show the characteristics of each of the variables of the study so that we can obtain an idea of the state of the company under study. The study consisted of 41 companies with a total of 205 samples for the research period 2019-2023. Normality test results from 205 data and the results are normally distributed data, with descriptive statistical results as follows :

Table 1 Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Systematic Risk_X1	205	1.82	6.622	531.91	861.52
Liquidity_X2	205	.27	2.80484	279.82	329.80
Rate of Return on Shares_Y	205	.01	.983	93.93	141.13
Valid N (listwise)	205				

4.2. Multiple Linear Regression Analysis

Table 2 Descriptive Statistical Test Results

Model		*Unstandardized Coefficients*		*Standardized Coefficients*
		B	**Std. Error**	**Beta**
1	(Constant)	6.205	.836	
	Systematic Risk_X1	.269	.044	.523
	Liquidity_X2	-.168	.076	-.190

Based on the regression equation above, it can be described as follows:

a. The constant (α) is obtained at 6.205 which means that if the independent variable (X), namely, systematic risk (RS), liquidity (CR) is 0 Zero, then the dependent variable (Y), namely stock return (PS) will be obtained at 6.205.

b. Regression coefficients of systematic risk variables (β1) of 0.269. This means that systematic risk has a positive effect on stock returns. Where each systematic increase in risk will result in an increase in stock returns of 0.269%.

c. Variable regression coefficient of liquidity (β2) of -0.168. This means that liquidity negatively affects stock returns, where any increase in liquidity will result in a decrease in stock returns of -0.168%.

4.3. Hypothesis Test Results

Tabel 3 Hypothesis Test Results

Coefficients[a]						
		Unstandardized Coefficients		**Standardized Coefficients**		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	6.205	.836		7.421	.000
	Resiko Sistematis_X1	.269	.044	.523	6.093	.000
	Likuiditas_X2	-.168	.076	-.190	-2.210	.029

4.4 Discussion

Based on the tests that have been conducted, the researcher will explain in more detail in the discussion of the results of the hypothesis test. The discussion of each hypothesis in this study is as follows:

4.4.1 The Effect of Systematic Risk on Stock Returns

The results of the hypothesis test (H1) in this study state that systematic risk affects stock returns. The relationship between systematic risk and returns is a positive linear relationship. The higher the risk that investors will bear, the greater the stock returns expected by investors (Husnan, 2005). In other words, investors who hope to gain high profits are willing to bear high risks.

Signaling theory and systematic risk interact with each other in influencing stock returns. Company signals can change investor perceptions about how sensitive the company is to unavoidable market risks. Lower risk perceptions (due to credible positive signals) can lead to lower required returns from higher stock prices, while higher risk perceptions (due to negative signals or lack of positive signals in a risky environment) can lead to higher required returns and lower stock prices.

Some examples of factors that influence systematic risk include inflation, recession, and rising interest rates. If systematic risk arises and occurs, all types of stocks will be affected so that investment in one or more types of stocks cannot reduce losses. This shows that the greater the fluctuation of a stock's return against the market return, the greater the beta of the stock.

The results of this study are in line with research conducted by Davesta (2012), Saputra, et al. (2009), Sartika, et al. (2017), Sutarjo, et al. (2019), Sutarjo, et al. (2019), and Nurfadillah (2018) which state that Systematic Risk affects Stock Returns.

4.4.2. Effect of Liquidity on Stock Returns

The test results (H2) in this study state that Liquidity has an effect on stock returns. Liquidity is a description of a company's ability to meet its short-term obligations smoothly and on time so that liquidity is often referred to as short-term equity. Liquidity has an effect on stock returns because the role of the liquidity variable proxied by the Current Ratio has an effect on stock returns so that the greater this ratio, the better the company is at maintaining its daily operational balance. This indicates that investors will get higher returns if the company's ability to meet its short-term obligations is higher.

Signaling theory helps us understand how companies can influence market perceptions of their stock liquidity through various actions and communications. This perception of liquidity then plays an important role in determining the stock returns expected by investors.

These results are in line with the research results of Saputra, et al. (2009), Masridah (2022), David, et al. (2012), Sumani, et al. (2009) which show that stock liquidity has an effect on stock returns.

4.4.3. The Effect of Systematic Risk and Liquidity on Stock Returns

The results of the third hypothesis test (H3) in this study state that systematic risk and liquidity affect stock returns. This means that the level of stock returns is influenced by two main factors, namely systematic risk and liquidity. Because in general investors tend to avoid risk (risk averse), if investors are faced with securities that contain high risk, they will certainly expect to get a high rate of return.

Meanwhile, in terms of liquidity, stocks with low liquidity will have a large spread, which means that the costs that must be incurred to convert shares into cash or vice versa are greater. With this high rate of return, it will have an impact on the amount of s that can be compensated.

Signaling theory plays an important role in how investors understand and respond to systematic risk and liquidity of a stock. Credible and relevant signals can help companies reduce information asymmetry, influence perceptions of risk and liquidity, and ultimately affect the stock returns expected by investors. However, it is important to remember that systematic risk and liquidity are fundamental market factors and will continue to affect stock returns regardless of a company's signaling efforts. Investors will always consider these risks in determining the price they are willing to pay for a stock and the returns they expect. The results of this study are in line with the results of studies found by Sartika, et al. (2017), Masridah (2022), Saputra, et al. (2009), David, et al. (2012), and Davesta (2012) which show that systematic risk and liquidity affect stock returns.

5. Conclusions

This study aims to test and empirically prove the effect of systematic risk and liquidity on stock returns. The sample used in this study is a banking company listed on the IDX for the period 2019-2023. The data analysis used in this study is multiple linear regression analysis. Based on the results of the hypothesis testing that has been carried out, the following results can be concluded:

a. Systematic risk affects stock returns. This shows that the higher the risk that investors will bear, the greater the stock returns expected by investors.
b. Liquidity affects stock returns. This shows that investors will get higher stock returns if the company's ability to meet its short-term obligations is higher.

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