The Effect of Trading Volume Activity, Profitability and Solvability on Stock Returns
(Study on Banking Companies Listed on the Indonesia Stock Exchange for the Period 2019-2022)

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Abstract. _This study aims to obtain empirical evidence regarding the effect of trading volume activity, profitability and solvency on stock returns. This study analyzed 122 samples of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period. The samples were selected through purposive sampling method and analyzed using multiple linear regression. The results of the study indicate that trading volume activity has no effect on stock returns, profitability has a positive effect on stock returns and solvency has a negative effect on stock returns. The theoretical implications of this study are able to confirm the signal theory based on the hypothesis tests conducted. The practical implications of this study provide knowledge and can be used as consideration for companies regarding financial management policies and as considerations for investors regarding investment decision making._

**Keywords:** Stock returns, trading volume activity, return on assets, profitability, debt to equity ratio, solvency
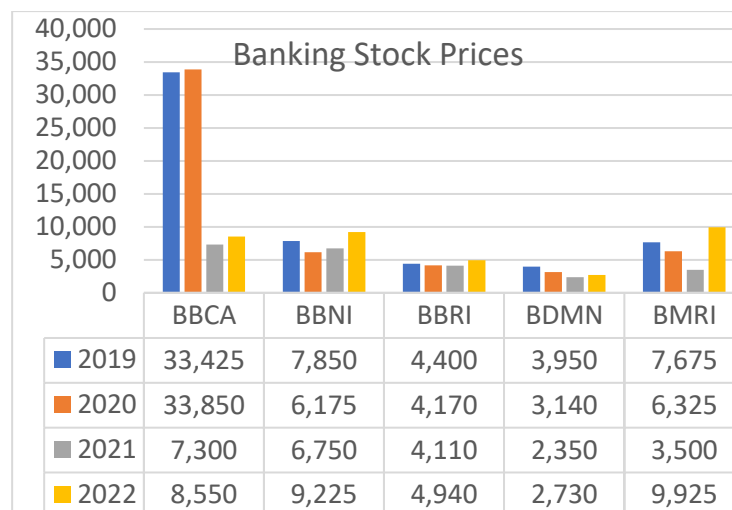
1.   INTRODUCTION

The capital market has become an important part of Indonesia's economic growth. The capital market is a market for trading bonds (Tandelilin, 2010). The capital market in Indonesia is the Indonesia Stock Exchange (IDX). The development of the capital market today cannot be separated from the role of investors who invest in the capital market. The capital market is a place where people can invest their funds in the form of shares. Stocks are rights to part of a company or proof of participation in a company. Quoting from idx.co.id, stocks are one of the most popular financial market instruments. Issuing shares is one of the company's choices when deciding on company funding. On the other hand, stocks are an investment instrument that is widely chosen by investors because stocks are able to provide attractive returns.

In making investments, investors certainly expect some profits in the future (returns). These profits can be in the form of cash receipts (dividends) or an increase in investment value (capital gain). The goal that investors want to achieve in capital market investment activities is to obtain optimal profits (returns). ReturnStocks are the profits obtained by investors on capital invested in companies that issue shares (Intariani & Suryantini, 2020). Return is very important for investors or capital owners, because return is the hope of future profits which is compensation for the time and risk associated with the investment made by investors. Stock returns also allow investors to compare the level of return of one company with another (Hartono, 2017). Investors are very interested in stock returns and hope to maximize them.

Returncan be in the form of dividends and capital gains. Dividends are income from the company that comes from distributed profits, while capital gains are income obtained from the difference in stock prices. If the price difference is negative, it means that the investor experiences a capital loss and vice versa. Stock returns are obtained from calculating the difference in the current period's stock price with the previous period's stock price, compared to the previous period's stock price (Hartono, 2018).

Investors certainly have considerations regarding effective returns on investments made. Investors will invest their capital when they have confidence and trust in the company concerned. This shows that investor confidence will cause a market reaction. In this case, investor confidence in a company is important in determining the stock price which is one form of market reaction. Market reactions shown through changes in stock market prices can cause changes in returns, from normal returns to conditions where stock price changes exceed normal prices which result in abnormal returns (Ryan, 2012). The following is a description of banking company stock prices in 2020-2022.

	BBCA	BBNI	BBRI	BDMN	BMRI
2019	33,425	7,850	4,400	3,950	7,675
2020	33,850	6,175	4,170	3,140	6,325
2021	7,300	6,750	4,110	2,350	3,500
2022	8,550	9,225	4,940	2,730	9,925

Source: Processed data, 2024

Figure 1. Banking Stock Prices for the Period 2019-2022

Figure 1 shows that there is a change in stock prices, where the average stock price of banking companies fluctuates in the 2019-2022 period. The fluctuating stock prices are a form of changes in demand and supply for shares in banking companies. Investor confidence in a company is one of the causes of changes in stock prices. Changes in the stock prices of banking companies depicted in the graph presented in Figure 1 reflect that the stock price of Bank BCA in 2019-2022 experienced a significant decline compared to other banks. The significant changes in stock prices will affect the company's stock returns which will later result in

abnormal returns. The stock returns of banking companies for the 2019-2022 period can be seen in Table 1.

Table1. Banking Stock Returns 2019-2022

No	Bank Name	2019	2020	2021	2022
1	Bank Central Asia Tbk	0.28	0.01	-0.78	0.17
2	Bank Negara Indonesia Tbk	-0.10	-0.021	0.09	0.36
3	Bank Rakyat Indonesia Tbk	0.20	0.05	0.01	0.20
4	Bank Danamon Indonesia Tbk	-048	-0.20	-0.25	0.16
5	Bank Mandiri Tbk	0.04	-0.17	-0.44	1.83

Source: Processed data, 2024

Based on Table 1 above, banking company returns fluctuate. During the observation year, some experienced an increase in returns, while others experienced a decrease in returns. The average banking stock return decreased in 2021 compared to the previous year. Meanwhile, in 2022, banking companies experienced an increase in stock returns on average. The main motivation of an investor to invest is to get optimal returns. Investors are interested in investing in stocks that are really known for sure everything in order to produce optimal returns, so investors need to know information related to factors that can affect stock returns.

Based on signal theory, companies provide signals such as publishing annual reports to reduce information asymmetry (Surjandari et al., 2020). Signaling Theory is a theory that explains the information signals needed by investors to determine whether or not the investor will invest their shares in the company concerned. Information published as an announcement will provide a signal for investors in making investment decisions. If the announcement contains a positive value, where the published financial report shows that the company's performance is good in a period, then it is expected that the market will react when the announcement is received by the market. When information is announced, market players first analyze and interpret the information as a good signal (good news) or a bad signal (bad news). If the announcement of the information is considered a good signal, investors will be interested in trading shares, thus the market will react which is reflected in changes in stock trading volume (Malbani & Ngumar, 2019).

There are a series of analyses carried out by an investor on the information published by the company before deciding to make an investment, this analysis functions to anticipate existing risks so that the results of investment decisions are more optimal. There are two analytical approaches used, namely fundamental analysis and technical analysis. Fundamental analysis is an analysis that uses data from the company's financial statements to consider

choosing stocks (Tjiptono, 2006). According to Jogiyanto (2011), fundamental analysis is used to see the company's financial performance through financial ratios. There are two financial ratios that can be used to analyze the company's financial performance, namely the profitability ratio and the solvency ratio (Nurazizah et al., 2022). While technical analysis is an analysis using data or records regarding the market itself to try to access the demand and supply of a particular stock or the market as a whole. Technical analysis is an attempt to estimate stock prices (market conditions) by observing changes in the stock price in the past. This analytical approach uses published data, in this case trading volume activity (TVA) or stock trading volume.

Trading volume activityor stock trading volume is one of the market data published by the company so that it can be analyzed. Trading volume activity is the amount of stock trading referring to the quantity of shares traded on the stock exchange in one trading day (Lina & Nugraha, 2021). High trading volume activity is considered to be in line with price increases. This trading volume activity is information for investors in making investments in the securities market. Where this will later be used by investors in making investment decisions. The higher the trading volume activity in a company indicates that the company has high quality. As a result, the company's stock price will tend to increase so that it will affect the company's stock return rate to increase, and vice versa (Panjaitan, 2013). The results of research conducted by (Fuandy & Dheny, (2007); Chanasya (2017); Astuti (2017)) state that trading volume activity has a positive effect on stock returns. This is different from research conducted by Haryanto (2016) and Lukman et al., (2017) which states that trading volume activity has no effect on stock returns.

Profitability ratio is a ratio used to assess a company's ability to seek profit (Kasmir, 2013:196). The profitability variable was chosen in this study because it has a strong and direct relationship with stock returns. Companies with high profitability tend to provide higher returns to their shareholders. In addition, profitability is an indicator of a company's performance in generating profits sustainably. Profitability ratios are divided into profit margin, return on assets (ROA), return on equity (ROE), and earnings per share (Kasmir, 2013:199). In this study, the profitability ratio used is return on assets (ROA). Return on assets(ROA) is a ratio that can describe a company's level of profit obtained with the amount of assets owned. ROA is used to test how capable the company is in making a profit with the total assets available. Large profits will attract investors because the company has a higher rate of return. The results of research conducted by Nikmah et al., (2021), Okta & Hariasih (2021), Rusadi (2017), and Santoso et al., (2021) stated that ROA has a positive effect on stock returns. However, this is different

from the research conducted by Afrino & Masdupi (2019) which stated that ROA has no effect on stock returns.

The solvency ratio is used to calculate the company's ability to meet all debts, both short-term and long-term if the company is liquidated (Kasmir, 2014). The solvency variable was chosen in this study because it is an important indicator to assess the company's ability to meet its long-term obligations. Strong solvency reflects the company's financial stability and reduces risk for investors. The ratio used to calculate solvency is the Debt to Equity Ratio (DER). DER shows how much debt the company has to cover funding needs (Munawir, 2016). If the company is able to maintain profits by using increasing debt, this means that the use of debt is able to provide greater benefits than its costs, so that investors can positively assess the use of debt (Husnan, 2015:331). In a study conducted by Hadya (2019), Okta & Hariasih (2021), Ramlah (2021), and Rusdi (2017) it was stated that DER has an effect on stock returns. This is contrary to research conducted by Afrino & Masdupi (2019), Habibi and Sunaryo (2018), Nurmayasari et al., (2021), and Sarah et al., (2019) which stated that DER has no effect on stock returns.

Researchers see problems and inconsistencies from previous studies related to factors that influence the level of stock returns that are considered by investors and potential investors in making investment decisions. Therefore, further research is needed on the factors that influence stock returns. The difference between this study and previous studies is that this study was conducted in a certain time period, namely in 2019-2022, so it is included in the time series. In addition, this study will analyze fundamental factors and technical factors in the observation year so that it is expected to be a consideration for investors in making investment decisions. The object of this study is the banking sector listed on the Indonesia Stock Exchange. The selection of objects in the banking sector was made because first, banking performance reflects the overall economic conditions as the heart of the economic system. Second, banking companies have high transparency in financial reporting, allowing for a more in-depth analysis of the factors that influence stock returns. Third, the banking sector is very sensitive to changes in monetary policy and market sentiment, making it an interesting object to study market dynamics. In addition, by comparing the performance of banking stocks with other sectors, we can identify the competitive advantages and unique risks faced by the banking sector. Based on the description, this study is entitled "The Effect of Trading Volume Activity, Profitability and Solvency on Stock Returns in Banking Companies Listed on the IDX for the 2019-2022 Period".

2. RESEARCH METHODS

This research was conducted on banking sector companies listed on the Indonesia Stock Exchange. The research period is from 2019 to 2022 by accessing the official website of the Indonesia Stock Exchange and the Company's website. The selection of banking sector companies as research locations because first, banking performance reflects the overall economic conditions as the heart of the economic system. Second, banking companies have high transparency in financial reporting, allowing for a deeper analysis of the factors that influence stock returns. Third, the banking sector is very sensitive to changes in monetary policy and market sentiment, making it an interesting object to study market dynamics. In addition, by comparing the performance of banking stocks with other sectors, we can identify the competitive advantages and unique risks faced by the banking sector.

This study was conducted in the period 2019-2022, where the 2019-2022 time span covers a very dynamic period, where the stock market experienced significant fluctuations due to various global events such as the COVID-19 pandemic, trade wars and changes in monetary policy. Thus, this period offers a rich dataset to analyze how banking companies respond to various external pressures. In addition, the 2019-2022 period also presents new regulations in the banking sector, by analyzing data from this period, it can assess the impact of rock regulations on bank risk, profitability and other financial performance. This is interesting to study to determine the indicators that affect changes in stock returns in each research period. This study analyzed 122 samples of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period. The samples were selected through the purposive sampling method and analyzed using multiple linear regression.

The data analysis techniques used in this study are descriptive statistics and multiple linear regression analysis. Before conducting multiple linear regression, multicollinearity test, heteroscedasticity test, autocorrelation test were conducted then to find out whether the independent variables affect the dependent variable either simultaneously or partially and determination coefficient test (), model feasibility test (F test), hypothesis test (statistical test t).R^2

3. RESULTS AND DISCUSSION

Description of Data related to Research Variables

The data description describes the results of descriptive statistical tests, classical assumption tests, multiple linear regression analysis and hypothesis tests consisting of model feasibility tests or simultaneous tests (F tests), determination coefficient tests (adjusted) and partial tests (t tests).R^2

Descriptive Statistics Results

Table1. Descriptive Statistical Test Results

Variables	N	Minimum	Maximum	Mean	Std. Deviation
ReturnShare	122	-0.832	1,121	0.225	0.216
TVA	122	-0.309	4,871	1,316	1,266
ROA	122	-0.181	0.086	0.002	0.024
DER	122	0.031	16,078	5,381	3,058

Source: Processed data, 2024 (Appendix 3)

Based onn the processing results in Table 2 above contain 122 research data observations which are interpreted as follows:

a. ReturnShare

The stock return variable obtained has a minimum value of -0.832 and a maximum value of 1.121. The maximum value indicates a high rate of return. The minimum value indicates a low rate of return.

The average value of 0.225 means that the average banking company has a return rate of 0.216. The standard deviation value of 0.216 is lower than the average value, meaning that there is no deviation in the return value from its average value. In other words, the distribution of stock return data is even during the observation period.

b. Trading Volume Activity(TVA)

The trading volume activity variable has a minimum value of -0.309 and a maximum value of 4.871. The minimum value indicates that the traded stocks are illiquid. The maximum value indicates that the traded stocks are liquid.

The average value of 1.316 means that the average liquidity of banking company stocks is 1.316. The standard deviation value is 1.266, which is lower than the average value, meaning that the distribution of trading volume activity data is even during the observation period.

c.   Profitability (ROA)

The profitability variable proxied by return on assets (ROA) has a minimum value of -0.181 and a maximum value of 0.086. The minimum value indicates the low ability of the company's assets to generate profits. The maximum value indicates the high ability of the company's assets to generate profits.

The average value of 0.002, means that the average profitability of mining companies to generate net profit is 0.002. The standard deviation value is 0.024, meaning that the distribution of ROA data is uneven during the observation period.

d.   Solvency (DER)

The solvency variable proxied by the debt to equity ratio (DER) has a minimum value of 0.031 and a maximum value of 16.078. The minimum value indicates that equity is not financed by high debt. The maximum value indicates a high level of debt to finance assets.

The average value of 5.381 indicates that the average solvency in banking companies used to finance company equity is 5.381. The standard deviation value is 3.058, meaning that there is a deviation of the solvency value of 3.058 from its average value. The average value is greater than the standard deviation value indicating that the distribution of solvency data is even during the observation period.

Classical Assumption Test Results

a.   Normality Test

The normality test aims to determine whether the data used in this study is normally distributed or not. The normality test used in this study is Kolmgorov-Smirnov (KS), namely by looking at the significance value. If Asymp.Sig. (2-tailed) > α = 5%, then the residual data is normally distributed (normal (Ghozali, 2021:197). Data is said to be normally distributed if the Asymp.Sig (2-tailed) value is greater than 0.05. Table 3 below shows the results of the Kolmgorov-Smirnov test.

Table 2. One-Sample Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		122
Normal Parametera,b	Mean	0.0000000
	Std. Deviation	1.14130415
Most Extreme	Absolute	0.036
Differences	Positive	0.036
	Negative	-0.035
Tesy Statistics		0.036
Asymp. Sig. (2-tailed)c		0.200c,d

Source: processed data, 2024 (attachment 4)

Based on Table3 above shows that the Asymp. Sig. (2-tailed) value produced is 0.200. The resulting value is greater than the significance of 0.05 so it can be concluded that the data follows a normal distribution. Therefore, the assumption of normality has been met.

b.   Multicollinearity Test Results

According to Ghozali (2021:157), the multicollinearity test is to find out or analyze whether the regression model contains a correlation between its independent variables. A good model has a model in which there is no correlation between the independent variables. The multicollinearity test is seen from the tolerance value and Variance Inflation Factor (VIF). If the VIF value <10 and the tolerance value> 0.10, it means that there is no multicollinearity in the data. The results of the multicollinearity test can be seen in table 4 below.

Table 4. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
TVA	0.910	1,099
ROA	0.945	1,058
DER	0.962	1,040

Source: Processed data, 2024 (attachment 5)

Table 4 above shows that for all independent variables used have a tolerance value greater than 0.1, including trading volume activity (TVA) of 0.910, profitability (return on assets (ROA)) of 0.945 and solvency (debt to equity ratio (DER)) of 0.962. The resulting VIF value is less than 10, including trading volume activity (TVA) of 1.099, profitability (return on assets (ROA)) of 1.058 and solvency (debt to equity ratio (DER)) of 1.040. So it can be concluded that there is no multicollinearity between independent variables. Therefore, the assumption of multicollinearity has been met.

c.   Heteroscedasticity Test

A good regression model is one that is homoscedastic or does not have heteroscedasticity. This study uses the Glejser test which is carried out by regressing the absolute residual value against the independent variable. If the significance value of the independent variable on the absolute residual value> $\alpha = 5\%$, then it can be said that the regression model does not contain heteroscedasticity. Table 5 shows the results of the Glejser test.

Table 3. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.496	0.094		5,254	0.034
	TVA	-0.031	0.023	-0.118	-1,320	0.189
	ROA	1,692	1,745	0.085	0.970	0.334
	DER	-0.030	0.014	-0.189	-2,178	0.131

Source: Processed data, 2024 (Appendix 6)

Based on Table 5 shows the significance of the independent variables used in this study, namely trading volume activity (TVA) of 0.189, profitability proxied by return on assets (ROA) of 0.334 and solvency proxied by debt to equity ratio (DER) of 0.131. This value is greater than 0.05, so it can be concluded that there is no heteroscedasticity and the assumption of heteroscedasticity is met.

d. Autocorrelation Test

Autocorrelation test is a test conducted to see whether there is a correlation between a period t and the previous period (t-1). Simply put, regression analysis is to see the influence between independent variables on dependent variables, so there should be no correlation between observations and previous observation data. In this study, the statistical test used to test autocorrelation is the Durbin-Waston test. The results of the DW-test can be seen in the following table 6.

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate	Durbin_Waston
1	0.310a	0.962	0.761	0.577100	2,227

Source: processed data, 2024 (Appendix 7)

Table 6 shows the DW-test value of the DU value of N 122 in the Durbin-Waston table of 1.755 and the 4-dU value is 2.244. so that dU < d < 4-dU, so it can be concluded that there is no correlation and the autocorrelation assumption is met.

Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.531	0.114		4,669	<0.001
	TVA	-0.039	0.028	-0.121	-1,395	0.165
	ROA	4,831	2,099	0.196	2,302	0.023
	DER	-0.050	0.017	-0.253	-3,003	0.003

Source: Processed data, 2024 (Appendix 8)

Based on Table 7, the multiple regression model formed in this study is as follows:

$$Y = 0.531 - 0.039 + 4.831 - 0.050X_1X_2X_3$$

a. The constant value is positive at 0.531, indicating that if the independent variables consisting of TVA, ROA and DER are assumed to have a value of zero or constant, then the constant value of the stock return variable is 0.531.

b. The coefficient value of the TVA variable is negative at -0.039, which means that if the TVA value increases by one percent, the stock return will decrease by 0.039.

c. The coefficient value of the ROA variable is positive at 4.831, meaning that if the ROA value increases by one percent, the stock return will increase by 4.831.

d. The coefficient value of the DER variable is negative at -0.050, meaning that if the DER value increases by one percent, the stock return will decrease by 0.050.

Model Feasibility Results (F Test)

Table 6. F Test Results

Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	4,686	3	0.397	6,684	0.002b
	Residual	43,962	118	0.037		
	Total	48,648	121			

Source: processed data, 2024 (Appendix 9)

Based on Table 8 above, it shows that all independent variables TVA, ROA and DER have a simultaneous influence on stock returns. This test can be seen in the F test value of 6.684 and a significance of less than 0.05, which is 0.002. So the regression model in this study is feasible for further testing.

Results of the Determination Coefficient Test (Adjusted)R^2

Table 7. Results of the Determination Coefficient Test (Adjusted)R^2

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate	Durbin_Waston
1	0.310a	0.962	0.763	0.577100	2,227

Source: processed data, 2024 (Appendix 10)

Table 9 shows the results of the determination coefficient test obtained at 0.763, which means that the dependent variable that can be explained by the independent variable is 76.3%. While the remaining 23.7% is explained by other variables outside the research model.

Hypothesis Test Results (t-Test)

Table 8. Hypothesis Test Results (t-Test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.531	0.114		4,669	<0.001
	TVA	-0.039	0.028	-0.121	-1,395	0.165
	ROA	4,831	2,099	0.196	2,302	0.023
	DER	-0.050	0.017	-0.253	-3,003	0.003

Source: processed data, 2024 (Appendix 11)

Based on the results of the hypothesis test shown in Table 10, it can be explained as follows:

a. Trading Volume Activity (TVA)

Table 10 shows that the TVA variable on stock returns has a negative regression coefficient value of -0.039 with a significance level of 0.165 which is greater than 0.05. These results indicate that TVA has no effect on stock returns.

b. Return on Asset (ROA)

Table 10 shows that the ROA variable on stock returns has a positive regression coefficient value of 4.831 with a significance level of 0.023 which is smaller than 0.05. These results indicate that ROA has a positive effect on stock returns.

c. Debt to Equity Ratio (DER)

Table 10 shows that the DER variable on stock returns has a negative regression coefficient value of -0.050 with a significance level of 0.003 which is smaller than 0.05. These results indicate that DER has a negative effect on stock returns.

Discussion

The Influence of Trading Volume Activity on Stock Returns

The regression results show that the trading volume activity variable does not have a significant effect on stock returns. This finding contradicts the previously proposed hypothesis, which states that an increase in trading volume activity will be followed by an increase in stock returns. An efficient stock market tends to reflect all information relevant to stock prices. Thus, an increase in trading volume activity does not always indicate new information that can drive an increase in stock returns. The high or low TVA cannot have an impact on the returns that investors will receive, because TVA is an indicator of market conditions (busy/quiet) (Giri,

2021). In addition, there are likely other factors that are more dominant in influencing stock returns, such as macroeconomics, company performance or market sentiment.

The results of this study are in line with the research of Haryanto (2016), Andi Ahmad (2016), Lukman et al., (2017) and Giri (2021) which found that trading volume activity had no effect on stock returns. However, it is not in line with the results of research by (Fuandy & Dheny, (2007); Chanasya (2017); Astuti (2017)) stating that trading volume activity has a positive effect on stock returns.

Signal theory states that high trading volume activity is considered in line with price increases. This trading volume activity is information for investors in making investments in the securities market. Where this will later be used by investors in making investment decisions. The higher the trading volume activity in a company indicates that the company has high quality. As a result, the company's stock price will tend to increase so that it will affect the company's stock return rate to increase, and vice versa (Panjaitan, 2013).

This finding fails to prove that investors use information about changes.trading volume activityin determining investment decisions, so that it is not in line with signal theory.Associated with signal theory, high trading volume activity is considered in line with price increases. This trading volume activity is information for investors in making investments in the securities market. Where this will later be used by investors in making investment decisions. The higher the trading volume activity in a company indicates that the company has high quality. As a result, the company's stock price will tend to increase so that it will affect the company's stock return rate to increase, and vice versa (Panjaitan, 2013).

The Effect of Profitability on Stock Returns

The results of the regression analysis conducted showed that the profitability variable proxied by non-assets returns (ROA), has a positive and significant influence on banking stock returns. This finding supports the proposed hypothesis, which states that increased profitability will be followed by increased stock returns so that it is in line with the signal theory.

The results of this study are in line with the research of Nikmah et al., (2021), Okta & Hariasih (2021), Rusadi (2017) and Santoso et al., (2021) which found that profitability has a positive effect on stock returns. However, it is not in line with the research of Afrino & Masdupi (2019) which states that ROA has no effect on stock returns.

Signal theory states that companies will give positive signals to the public through financial reports to increase the company's stock returns. Positive signals given by the company will create investor confidence to invest. High profitability indicates the company's success in

making a profit which indicates good company conditions (Permanawati, 2016). This indicates that the returns that investors will receive will be high and investors will be interested in buying the shares, this causes stock returns on the stock market to tend to increase (Nikmah et al., 2021).

The Effect of Solvency on Stock Returns

The results of the regression analysis carried out show that the solvency variable is proxied bydebt to equity ratio (DER), has a negative and significant impact onreturnbanking stocks. The findings have proven that companies that have high solvency values tend to havereturnssmall stocks so that it is in line with signal theory.

The results of this study are in line with researchOkta & Hariasih (2021), Ramlah (2021), and Malik (2013) found that solvency proxied using DER has a negative effect on stock returns. However, this is not in line with the research of Afrino & Masdupi (2019), Habibi and Sunaryo (2018), Nurmayasari et al., (2021), and Sarah et al., (2019) which stated that DER has no effect on stock returns.

Based on signal theory, investors will perceive information about the increase in the company's DER as a negative signal. Solvency refers to a company's ability to use assets from loans and debts for various company operational activities (Krisna & Supadmi, 2023). Companies with solvency, in this case high DER, indicate that the company uses high external funding capital.DER shows how much debt a company has to cover funding needs (Munawir, 2016). Companies need a lot of funding to fund company operations. A company that fails to meet its debt obligations tends to experience financial distress. This reflects the high risk of investing so that investors tend to avoid it, resulting in decreased stock returns as a result of shares that are less marketable (Riawan, 2019).

4.   CONCLUSION

Based on the test results on the banking sector listed on the Indonesia Stock Exchange for the 2019-2022 period, it can be concluded that:

a.   Trading Volume Activitydoes not affect stock returns. Based on the research that has been conducted, empirical evidence is obtained that an increase in trading volume activity does not affect an increase in stock returns.

b.   Profitability proxied by return on assets (ROA) has a positive effect on stock returns. Based on the results of the study, empirical evidence was obtained that profitability

affects stock returns, where an increase in profitability reflects an increase in stock returns.

c.   Solvency proxied by Debt to Equity Ratio (DER) has a negative effect on stock returns. Based on the results of the study, empirical evidence was obtained that solvency has a negative effect on stock returns, where an increase in solvency reflects a decrease in stock returns.

This study provides theoretical and practical implications. Theoretically, the results of this study confirm the signal theory that is the basis of the study according to the results of the tests carried out. Practically, the results of this study provide information and knowledge related to factors that influence the level ofreturnstocks that can be used as a reference for further research. In addition, the results of this study can be used as a consideration for companies in managing their assets, capital and debts so that they benefit the company.

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