

Effect of Solvency and Liquidity on The Profitability of Property Companies Listed on The Sharia Stock Index 2018-2020

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Abstract

This study analyzes the effect of Solvency and Liquidity on the profitability of property companies listed on the Indonesian Islamic stock index for the 2018-2020 period. This research is quantitative research with secondary data from financial reports from 2018 to 2021. Regression model analysis using Common Effect Model (CE) or Ordinary Least Square (OLS) method. The findings show that DAR has a negative effect on ROA, which explains that debt will burden the company and reduce the profit level of Islamic property companies. On the other hand, DAR has no effect on ROE because debt does not affect the value of equity owned by the company itself. DER has no effect on ROA and ROE, this is certainly contrary to the Pecking Order Theory. Current Ratio has a negative effect on ROA, this is not in accordance with Pecking Order Theory. Cash ratio has a positive effect on ROA and also on ROE, and is in accordance with Pecking Order Theory. The cash ratio as the company's ability to pay short term has a positive influence, because the company is not limited to being responsible for the environment around the company but also socially responsible to the community.

Keywords : *Debt to Asset Ratio, Debt to Equity Ratio, Current Ratio, Cash Ratio, Sharia Property*

Abstrak

Penelitian ini menganalisis pengaruh Solvabilitas dan Likuiditas terhadap profitabilitas perusahaan properti yang terdaftar di indeks saham syariah Indonesia periode 2018-2020. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder dari laporan keuangan tahun 2018 sampai dengan tahun 2021. Analisis model regresi menggunakan metode Common Effect Model (CE) atau Ordinary Least Square (OLS). Hasil analisis menunjukkan bahwa DAR berpengaruh negatif terhadap ROA, yang menjelaskan bahwa utang akan membebani perusahaan dan mengurangi tingkat keuntungan perusahaan properti syariah. Di sisi lain, DAR tidak berpengaruh terhadap ROE karena hutang tidak mempengaruhi nilai ekuitas yang dimiliki oleh perusahaan itu sendiri. DER tidak berpengaruh terhadap ROA dan ROE, hal ini tentunya bertentangan dengan Pecking Order Theory. Besarnya ekuitas utang secara khusus tidak berdampak pada tingkat keuntungan perusahaan properti.

Current Ratio berpengaruh negatif terhadap ROA, hal ini tidak sesuai dengan Stakeholder Theory. Kondisi ini menyebabkan Current Ratio berpengaruh negatif terhadap ROE. Cash ratio berpengaruh positif terhadap ROA, dimana Cash Ratio berpengaruh positif terhadap ROE, dan sesuai dengan Stakeholder Theory. Rasio kas sebagai kemampuan perusahaan untuk membayar jangka pendek memiliki pengaruh positif, karena perusahaan tidak sebatas bertanggung jawab terhadap lingkungan sekitar perusahaan tetapi juga bertanggung jawab secara sosial kepada masyarakat.

Kata Kunci : Debt to Asset Ratio, Debt to Equity Ratio, Current Ratio, Cash Ratio

Introduction

The need for a place to live or a house is a basic need for humans. The house is a place to live as well as a place for all human activities, starting from running a business, working, studying, socializing and others. So instinctively all humans will build a residence or house to support the process of life. However, not all the needs for housing can be obtained by humans. Many do not have a place to live or a home.

In providing housing needs for the community, the private sector still has a large portion in housing procurement. This is because the government has not been able to meet the housing shortage for its people. This has triggered the emergence of property companies with various housing offers for the community. This housing offer uses two kinds of systems, namely the conventional system and the sharia system. This is done to attract the public attention.

The property companies are one of the industrial sectors listed on the Indonesia Stock Exchange (IDX), and have been listed on the Indonesia Sharia Securities Index (ISSI) since May 2011. In the regulation of Law Number 8 concerning the Capital Market, the stock exchange is a meeting place between sellers' products and product buyers. Through the stock exchange, companies can obtain capital for investment purposes, and

the formation of Islamic securities (ISSI) is more aimed at the confidence of investors who want to invest in shares using the sharia system.

Although included in the list of sharia securities, property companies, in general, also have a goal to increase company profitability. This is in line with the company's goal to maintain stability by increasing profitability or profit. Some indicators in measuring the profitability of the company is to analyze the financial statements for a certain period so that it can show the company's performance and the ability to allocate its resources. Profitability ratios are financial ratios that show the ratio between profits and assets or capital that generate profits.

This ratio consists of *Gross Profit Margin (GPM)*, *Operating Income Ratio*, *Operating Ratio*, *Net Profit Margin (NPM)*, *Return on Total Assets (ROA)*, *Return on Investment (ROI)* and *Return on Equity (ROE)*.¹ In profitability ratio indicators, Return on Investment (ROI) and Return on Equity (ROE) are general indicators in showing the level of profitability.

¹ Choiriyah Choiriyah and others, 'The Effect Of Return On Assets, Return On Equity, Net Profit Margin, Earning Per Share, And Operating Profit Margin On Stock Prices Of Banking Companies In Indonesia Stock Exchange', *International Journal of Finance Research*, 1.2 (2020), 103–23.

The COVID-19 pandemic in Indonesia is one of the conditions with the heaviest impacts felt by many companies, including property companies in Indonesia. Government regulations to reduce the spread of the COVID-19 pandemic, by reducing crowds and outdoor activities have resulted in a lot of decline in the economic level of the community. This is due to limited community work activities. Coupled with the PSBB, PPKM, and reduced operating hours of several work agencies, the poverty rate in Indonesia is increasing. According to data from the Central Statistics Agency (BPS) in September 2020 the number of poor people increased by 0.97 percent or 2.76 million people compared to the number of poor people in March 2020. These economic changes certainly have an impact on the purchasing power of people in Indonesia, even in meeting basic needs, which is increasingly difficult during this covid-19 pandemic. The process of providing assistance from the government or other parties is still in the stage of meeting the daily needs of the community. Meanwhile, from the entrepreneur's point of view, many of the entrepreneurs went out of business or went bankrupt because their merchandise was not selling well or their business was quiet. This situation also has an impact on property companies, where the market share is people who want a place to live or a house. In his study, houses as long-term investment items were affected by a decline in sales. According to data from the Indonesian Real Estate Association (REI), sales in the housing sector fell by 60 percent during this pandemic. These various problems require property companies to be able to carry out policies and strategic

steps in maintaining their business, especially in order to be able to sell their products.

Based on this phenomenon, this study aims to determine the effect of liquidity and solvency levels on profitability in property companies during the covid-19 pandemic which are listed on the Indonesian Sharia Stock Index (ISSI) for the period 2018 to 2020. Decisions in taking financial data property companies registered with ISSI, consider the influence of Islamic housing offerings that are currently in demand by the public. In addition, as a differentiator in this study compared to previous studies.

Literature Review and Hypotheses Development

Profitability or profit can be influenced by various sectors, including the solvency and liquidity sectors. Investors before investing, in addition to looking at the company's profitability ratio, also pay attention to the solvency ratio and liquidity ratio.² The solvency ratio is the company's ability to meet its financial obligations if the company is liquidated, both short-term and long-term. Solvency is the company's ability to pay all of its debts. Solvency consists of Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER), Long Term Debt to Equity Ratio (LTDER), Time Interest Earned, and Fixed Charge Coverage (FCC). In the research of Shella Ekawati Ludjianto et al where the solvency ratio is described by Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER)

² Andri Soemitra, 'The Policy Responses towards Contemporary Islamic Capital Market in Indonesia: The Dynamics and Challenges', *EKONOMIKA SYARIAH: Journal of Economic Studies*, 5.1 (2021), 31–49.

and Long Term Debt to Equity Ratio (LTDER). Because debt is a source of funds for the company, it poses a burden or risk in the future.³ If the debt is getting bigger, then the interest expense to be paid will also be bigger. This situation will certainly reduce the company's profit or profitability.⁴ So, the relationship between solvency and profitability is opposite or negative.

Stewart C. Myers and Nicolas Maljuf's on their *Pecking Order Theory*, shows that the greater the solvency ratio, the greater the costs that must be borne by the company in fulfilling its obligations.⁵ So the basic assumption is that the relationship between profitability and solvency is negative. This is also supported by Nidya Afrinda's research,⁶ the results of her research explain that the *debt to assets ratio*, *debt to equity ratio* and *long term debt to equity ratio* have a significant negative effect on profitability, namely *return on total assets ratio (ROA)*. Research from Erma Risdo Tohonan Manurung et al, suggests that the *debt to equity ratio* has a significant negative effect on *return*

on investment. In his explanation, this is because too much debt is paid by the company so that the financial risk borne by *real estate* and *property* companies will also be greater and vice versa, the lower the debt, the company's profitability will increase.⁷

Contrast with the research of Shella Ekawati, Ludijanto et al. suggested that there is a positive influence between *leverage* or solvency on profitability in companies *property* and *real estate* on the IDX.⁸ The results in this study explain that the *debt to equity ratio* and *long term debt to equity ratio* have a positive effect on *return on investment* and *return on equity*. Where the higher the company's leverage will be accompanied by an increase in the number of returns on investment and return on equity, because a good debt level will increase company profits with additional capital available for operations and also to convince investors. This is supported by research conducted by Syarief Dienan Yahya. He found that the debt to assets ratio (DAR) had a positive effect on the return on total assets ratio (ROA).⁹ Referring to the results of the research above, it can be concluded that there are differences in research results (*research gaps*) in the influence of solvency on profitability.

Meanwhile, the liquidity indicator relates to the company's ability to meet its financial obligations that must be fulfilled immediately. Where the liquidity ratio is a ratio to measure the company's ability to meet

³ SRH and RRH Ludijanto, Shella Ekawati, 'The Effect of Leverage Analysis on the Financial Performance of a Study Company on Property and Real Estate Companies Listed on the Indonesia Stock Exchange 2010-2012', *Business Administration (JAB)*, 8(1) (2014).

⁴ Bachtiar Asikin and others, 'The Effect of Liquidity, Solvency, And Profitability on Stock Return (Empirical Study on Property, Real Estate, And Building Construction Companies Listed on The Indonesia Stock Exchange for the 2014-2017 Period)', *Review of International Geographical Education Online*, 11.5 (2021), 872-85.

⁵ I. Fahmi, 'Introduction to Management Theory and Questions and Answers', 2013; Li-Ju Chen and S Y Chen, 'How the Pecking-Order Theory Explain Capital Structure', *Journal of International Management Studies*, 6.3 (2011), 92-100.

⁶ N. Afrida, 'Analysis of the Effect of Liquidity and Solvency on Profitability of Food and Beverage Companies Listed on the Indonesia Stock Exchange', 2012.

⁷ RSJ Erma Risdo Tohonan Manurung, Gusmardi, 'Effect of Liquidity and Solvency on Profitability Case Study on Real Estate and Property Companies on the Indonesia Stock Exchange 2005-2012', 2013.

⁸ Ludijanto, Shella Ekawati.

⁹ DY Syarief, 'Analysis of the Effect of Financial Leverage on Profitability of Telecommunication Companies Listed on the Indonesia Stock Exchange', 2012.

its short-term obligations. Similar to solvency, liquidity ratio is an indicator that is considered by investors in assessing the performance and credibility of the company. Basic ability in short-term fulfillment is good, will give credibility or a good name for the company. Liquidity consists of the *current ratio (CR)*, *cash ratio (CASH)*, *quick ratio (QR)*, *cash turnover ratio*, and *inventors to net working capital*.

Companies with a good level of liquidity will easily get loans from financial institutions or from capital owners or investors. In the composition of capital, the *current ratio* and *cash ratio* are the two most important components.¹⁰ Where the two components describe the company's capital position as a whole and complex. *The current ratio* is often used as a tool to measure the liquidity of a company and is also an indication to find out and predict the company's ability to meet its financial obligations.¹¹

The cash ratio is the element of working capital with the highest level of liquidity, where the company has a smaller risk of not fulfilling its financial obligations.¹² In the basic principles of finance, it is stated that profitability is inversely proportional to liquidity, where profitability moves in a straight line with risk (profit and loss between risk and return). However, if the profitability is high, it turns out that there is also a big risk.¹³ From this basic concept, it can be used as a reference that the relationship between

liquidity and profitability is opposite or negative, where the higher the liquidity ratio, the lower the company's profit or profitability

Nidya Afrinda's research above also suggests that liquidity (*current ratio, cash ratio and quick ratio*) has a negative effect on profitability (*return on total assets ratio*). In contrast to the research of F. Yeni Indryawati (Indryawati, 2008), which explains that there is a positive influence between liquidity and profitability, where the greater the current ratio, the more it shows the company's ability to meet its short-term obligations. Meanwhile, the research results from Erma Rido Tohonan Manurung et al above prove that there is no significant effect between liquidity and profitability.¹⁴ If the current ratio is higher, it is not necessarily good in terms of profitability (return on investment). The results of the study also show differences in results from one another (gap research).

The assumption in this study, according to Pecking Order Theory and Modigliani Miller Theory, is that solvency (debt) will reduce profitability or have a negative effect. The existence of debt will be a burden for the company to pay obligations both short term and long term. In addition, the debt burden will provide a reduction in the profitability or profits of the company itself. Meanwhile, Stakeholder Theory, assumes that liquidity will increase profitability or have a positive effect. Where in the theory

¹⁰ Harmoni, 'Financial Management', in *Earth Literature*, 2011.

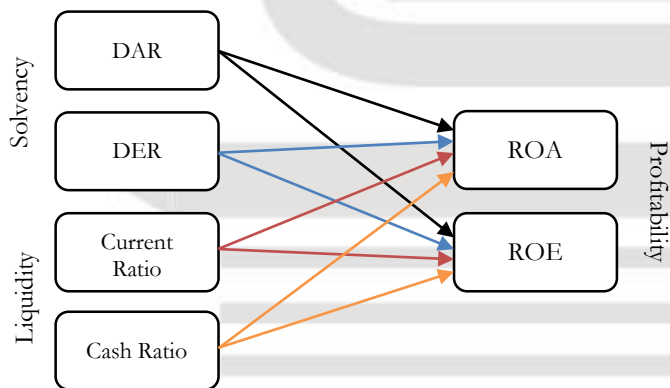
¹¹ Sutrisno, 'Financial Management Theory Concepts and Applications', in *Econica*, 2012.

¹² R Bambang, 'Corporate Spending Fundamentals (4th Ed.)', in *BPFE*, 2001.

¹³ Fahmi.

¹⁴ Erma Rido Tohonan Manurung, 'Pengaruh Likuiditas Dan Solvabilitas Terhadap Profitabilitas (Study Kasus Pada Perusahaan Real Estate Dan Property Bursa Efek Indonesia Tahun 2005-2012)', 2013; Irdha Yusra, 'Kemampuan Rasio Likuiditas Dan Solvabilitas Dalam Memprediksi Laba Perusahaan Perusahaan: Studi Empiris Pada Perusahaan Telekomunikasi Yang Terdaftar Di Bursa Efek Indonesia', *Jurnal Benefita*, 1.1 (2016), 15-23.

it is explained that the company's responsibility is not limited to profitability or company profits, but is also responsible for the social environment, work partners, employees, and other communities (stakeholders). Consistently maintaining the company's internal and external relationships, will generate trust and trust from stakeholders so as to bring trust and a good image for the company. Therefore, the hypotheses built in this study include:



The hypotheses of the above framework are:

- a. H01: DAR has a partially negative effect on ROA
Ha1: DAR has no partial negative effect on ROA
- b. H02: DAR has a partially negative effect on ROE
Ha2: DAR does not have a partially negative effect on ROE
- c. H03 : DER has a partially negative effect on ROA
Ha3 : DER has no partially negative effect on ROA
- d. H04 : DER has a partially negative effect on ROE
Ha4 : DER does not partially negatively affect ROE

- e. H05 : Current Ratio partially positive effect on ROA
Ha5 : Current Ratio does not have a partial positive effect on ROA
- f. H06 : Current Ratio partially positive effect on ROE
Ha6 : Current Ratio does not have a partial positive effect on ROE
- g. H07 : Cash Ratio partially positive effect on ROA
Ha7 : Cash Ratio has no positive effect on ROA
- h. H08: Cash Ratio partially positive effect on ROE
Ha8: Cash Ratio does not have a partial positive effect on ROE

Research Method

This study uses a quantitative approach, where the data source is secondary data obtained from the financial statements of property companies listed on the Index Indonesian Sharia Stock (ISSI). Data collection techniques by accessing the website www.idx.co.id and downloading the financial statements of property companies in ISSI. The sample selection procedure goes through the following stages:

No	Company Criteria	Results
1	Property companies listed on the Indonesian Sharia Stock Index (ISSI)	21
2	Property companies registered with ISSI and have financial reports from 2018-2020 on a regular basis (3 months)	15
	*number of samples: 3 monthly financial statements x 15 companies x 3 years	135 sample

The property companies sampled in this study are:

No.	Company
1	PT Adhi Karya (Persero) Tbk (ADHI)
2	Bekasi Fajar Industrial Estate Tbk (BEST)
3	PT Bumi Serpong Damai Tbk (BSDE)
4	Ciputra Development Tbk (CTRA)
5	Intiland Development Tbk (DILD)
6	Duta Pertiwi Tbk (DUTI)
7	Jaya Real Property Tbk (JRPT)
8	PP (Persero) Tbk (PTPP)
9	Ristia Bintang Mahkotasejati Tbk (RBMS)
10	Roda Vivatex Tbk (RDTX)
11	Suryamas Dutamakmur Tbk (SMDM)
12	PT Summarecon Agung Tbk (SMRA)
13	Total Bangun Persada Tbk (TOTL)
14	Wijaya Karya Tbk (WIKA)
15	PT Waskita Karya (Persero) Tbk (WSKT)

Operational definition and nature of this research is divided into dependent variable and independent variable. The dependent variable (bound) includes:

- a. Return on Equity (ROE), where ROE is the rate of return that can be generated by the company in converting all units of money into company capital. This means that how much the company can provide in return for each unit of money invested

by investors in the company. The ROE is obtained through:

$$ROE = \frac{\text{profit after tax}}{\text{total capital/equity}} \times 100\%$$

- b. Return on Assets (ROA), where ROA is a measuring tool in seeing the company's ability to generate profits from the use of the overall assets owned. This means that the amount of profit generated from utilizing company assets is a measure of the overall effectiveness of the company's operations. Obtaining ROA through:

$$ROA = \frac{\text{net income}}{\text{total assets}} \times 100\%$$

As for the operational definition of the independent variables (independent variables) include:

- a. Debt to Equity Ratio (DER), where DER is a comparison of debt and equity in the company. This indicates the company's ability to fulfill all of its obligations.¹⁵ DER is obtained through:

$$DER = \frac{\text{total debt}}{\text{total capital / equity}} \times 100\%$$

- b. Debt to Assets Ratio (DAR), where DAR is a comparison between short-term debt and long-term debt with the total assets owned by the company. This condition shows how much of the total assets are spent using debt (Harahap, 2011).¹⁶ Obtaining DAR through:

$$DAR = \frac{\text{total debt}}{\text{total assets}} \times 100\%$$

- c. Current Ratio (CR), CR is the ratio used to see the company's ability to pay short-

¹⁵ SS Harahap, 'Critical Analysis of Financial Statements' (PT Raja Grafindo Persada, 2011).

¹⁶ Harahap.

term debt obligations by using owned capital (Harahap, 2011). Obtaining CR using:

$$CR = \frac{\text{current assets, current liabilities}}{\text{liabilities}} \times 100\%$$

- d. Quick Ratio (QR), QR is a measure of the company's ability to pay short-term obligations using more liquid assets (cash, receivables) (Harahap, 2011). Obtaining QR by using:

$$QR = \frac{\text{liquid assets, current liabilities}}{\text{current liabilities}} \times 100\%$$

As for the data analysis technique with panel data regression analysis using the help of statistical applications in the form of SPSS 25, to process panel data from a combination of cross section and time series, namely financial reports every 4 months and within 3 years.

Results and Discussion

Determining the panel data regression model is one way to find a regression model that is close to the truth in scientific studies. Where in analyzing there are three regression models, namely the Common Effect Model (CE) or Ordinary Least Square (OLS), Fixed Effect Model (FE) or Least Squares Dummy Variable (LSDV) and Random Effect Model (RE) or Generalized Least Square (GLS).

Data processing uses the SPSS version 25 statistical application, so the regression model used is the Common Effect Model (CE) or Ordinary Least Square (OLS). The OLS regression model is the simplest panel data model approach, because it only combines time series and cross section data. Where in this model the dimensions of time and individual are not considered, so it is assumed that the behavior of the company's

data is the same in various certain periods of time.

1. The results of the Regression Analysis of the Common Effect Model (CE) or Ordinary Least Square (OLS) with the dependent variable is Return on Assets (ROA).

Model Summary ^b					
Model	R	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.446 ^a	.499	.174	.01662	1.725

a. Predictors: (Constant), QR, DER, CR, DAR

b. Dependent Variable: ROA

Coefficients ^a								
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B			
					Lower Bound	Upper Bound		
1	.036	.006	6,044.048	.000	.024	(Constant)		
	DAR	-.034	.015	-.416	-.2287	.024	-.063	-.005
	DER	.000	.002	.026	.151	.880	-.005	.005
	CR	-.003	.001	-.302	-2.282	.024	-.005	.000
	QR	.006	.002	.312	2,338	.021	.001	.010

a. Dependent Variable: ROA

Based on the results of processing the Regression Common Effect Model (CE) or Ordinary Least Square (OLS) data through the SPSS version 25 statistical application, the following results are obtained:

- a. The minimum value is 0.0036 and the maximum value is 0.0469. The mean value is 0.0206 and the standard deviation is 0.00815.
- b. The Durbin Watson value of 1.725 indicates that the data is free from the autocorrelation test. This is based on the value of Durbin Watson in the table with a value of k (the number of independent

variables) of 4 and n (amount of data) of 135, so the dL value is 1.6548 and the dU value is 1.7802. So the value is $1.6548 < 1.725 < 1.7802$.

c. In general, the independent variables, namely DAR, DER, CR and QR have an effect on the dependent variable, namely ROA. The details are as follows:

- 1) The independent variable (independent) Debt to Asset Ratio has a negative effect on the dependent variable Return on Assets.
- 2) The independent variable (independent) Debt to Equity Ratio has no effect and positive direction on the dependent variable Return on Assets.
- 3) The independent variable (independent) Current Ratio has a negative effect on the dependent variable (dependent) Return on Assets.
- 4) The independent variable (independent) Cash Ratio has a positive and positive effect on the dependent variable (dependent) Return on Assets.

d. The magnitude of the influence of the independent variables (independent) DAR, DER, CR and QR on the dependent variable (dependent) Return on Assets is 0.499 or 49.9% (R Square value). Where it means that 49.9% of the independent variables are able to explain the relationship and relation to the dependent variable, and the remaining 50.1% (100%-49.9%) is explained by other independent variables not included in this study.

2. The results of the Regression Analysis of the Common Effect Model (CE) or Ordinary Least Square (OLS) with the dependent variable is Return on Equity (ROE).

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.220 ^a	.448	.019	.03551	1,693

a. Predictors: (Constant), QR, DER, CR, DAR

b. Dependent Variable: ROE

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.028	.013		2.248	.026
	DAR	.014	.032	.086	.435	.664
	DER	6.227E-5.005		.002	.012	.991
	CR	-.005	.002	-.289	-2.006	.047
	QR	.012	.005	.337	2.314	.022

a. Dependent Variable: ROE

Based on the results of the Common Effect Model (CE) or Ordinary Least Square (OLS) data processing through the SPSS version 25 statistical application, the following results are obtained:

- a. The minimum value is 0.0015 and the maximum value is 0.0607. The mean value is 0.0379 and the standard deviation is 0.00789.
- b. Durbin Watson's value of 1.693 indicates that the data is free from autocorrelation test. This is based on the value of Durbin Watson in the table with a value of k (the number of independent variables) of 4 and n (amount of data) of 135, so the dL value is 1.6548 and the dU value is 1.7802. So the value is $1.6548 < 1.693 < 1.7802$.
- c. In general, the independent variables, namely DAR, DER, CR and QR have an effect on the dependent variable, namely ROE. The details are as follows:

- 1) The independent variable (independent) Debt to Asset Ratio has no effect and positive direction on the dependent variable (dependent) Return on Equity.
 - 2) The independent variable (independent) Debt to Equity Ratio has no effect and positive direction on the dependent variable (dependent) Return on Equity.
 - 3) The independent variable (independent) Current Ratio has a negative effect on the dependent variable (dependent) Return on Equity.
 - 4) The independent variable (independent) Cash Ratio has a positive and positive effect on the dependent variable (dependent) Return on Equity.
- d. The magnitude of the effect of the independent variables (independent) DAR, DER, CR and QR on the dependent variable (dependent) Return on Equity is 0.448 or 44.8% (R Square value). Where it means that 44.8% of the independent variables are able to explain the relationship and its relation to the dependent variable, and the remaining 55.2% (100%-44.8%) is explained by other independent variables not included in this study.

Discussion

Based on the results of the Common Effect Model (CE) or Ordinary Least Square (OLS) regression analysis, the following results were obtained:

- 1) DAR has a negative effect on ROA because it is in accordance with the *Pecking Order Theory* of Stewart C. Myers and

Nicolas Maljuf. Where the higher the debt in a sharia property company, it will decrease (negative) the level of profit or profit of a company. This condition indicates the existence of an obligation to pay debts, both short and long term, will reduce and affect the level of stability of the company's profits. So that the level of assets owned is threatened to be able to cover the debt. Meanwhile, DAR has no effect on ROE. This is certainly contrary to the *Pecking Order Theory* of Stewart C. Myers and Nicolas Maljuf. The debt policy for sharia property companies is a must due to the Covid-19 pandemic which has an impact on the decline in housing sales. People are busy with taking care of their own health and vigilance from Covid-19 compared to housing investment. The decline in investor confidence is also a trigger for the unrelated DAR level with ROE in Islamic property companies, it is possible for investors to prefer to invest in the health industry because the level of community needs is very high. So that the debt ratio does not affect the level of equity owned by Islamic property companies.

- 2) DER has no effect on ROA, this is certainly contrary to the *Pecking Order Theory* of Stewart C. Myers and Nicolas Maljuf. This condition can occur because the equity of Islamic property companies during the pandemic does not have an impact on the level of company profits or profits. The Covid-19 pandemic has certainly dealt a major blow to all industrial sectors, including the property industry. Demand for housing decreases, people's purchasing power decreases due to the focus on

prevention and treatment of each individual. The government is also aggressively implementing vaccines and breaking the chain of the Covid-19 virus. On the economic side, the government's policy that provides concessions to business people in terms of credit payments, provides fresh air for business people because of the leniency in credit payments. In addition, due to assistance from the government to business people, resulting in a level of debt equity that does not affect the company's profits or profits. So the assets owned by the company can be saved because of the policies and assistance from the government. Meanwhile, DER has no effect on ROE. This condition is certainly contrary to the *Pecking Order Theory* of Stewart C. Myers and Nicolas Maljuf. This condition indicates that the existence of a debt ratio during the COVID-19 pandemic, which is provided with easy assistance from the government, provides an opportunity for Islamic property companies to be able to postpone short-term obligations. The problem of the pandemic indirectly affects the profit level of Islamic property companies, this is due to a decrease in housing sales and people who focus on personal health.

- 3) Current Ratio has a negative effect on ROA, this is not in accordance with *Stakeholder Theory*, which in this theory assumes that high liquidity (CR) will increase profitability or have a positive effect. This condition occurs because during the transition period Islamic property companies enter the COVID-

19 pandemic. So that the financing of short-term obligations is disrupted along with disrupted production due to several policies from the government related to restrictions on social activities, crowding and others. During the pandemic period, all companies experienced production disruptions and cost overruns because they had to issue medical items or equipment to comply with health protocol standards. People are more focused on their own health compared to buying assets such as houses. This results in a decrease in housing purchases. This condition results in that CR has a negative effect on ROA, because it does not bring investors' confidence to invest their shares, but instead it is seen that the ability to pay short-term capabilities alone is not sufficient. While the Current Ratio has a negative effect on ROE, this is in accordance with the Stakeholder Theory. The condition is the same as the relationship between the Current Ratio and ROA, where in general the ability of sharia property companies to pay short term is impaired and has a negative impact due to the low production or sales process of sharia property housing, which has an impact on decreasing profits or profits of the property company itself. So that the resulting two variable relationships have a negative impact.

- 4) The cash ratio has a positive effect on ROA, this is in accordance with the Stakeholder Theory which explains that the greater the Cash Ratio, it is assumed that the sharia property company has cash reserves or cash equivalents to be

able to pay off short-term debt obligations. Based on these conditions, sharia property companies provide a high cash or cash equivalent position by looking at the growing development of the property world and it is undeniable that humans will need houses as basic needs. The same condition where the Cash Ratio has a positive effect on ROE, and in accordance with Stakeholder Theory. The ability of property companies to have cash and cash equivalents provides good news for investors. Where Islamic property companies are considered to have the ability to pay short-term obligations and have a good image. The impact is that many investors will invest in Islamic property companies and provide a good and increasing level of profitability.

Conclusion

The property company industry, both conventional and sharia, are all basic human needs. The need for shelter and settlement of the community. The diversified industrial base of property companies is due to the development of people's mindsets, to be able to provide guarantees to the public for the convenience of the transactions carried out. Over time, the Covid-19 pandemic emerged that hit the world and even brought down several aspects of the economy, especially the housing industry. This is due to the decline in property sales and the decline in people's purchasing power. Public attention is still focused on improving health compared to other interests. So it becomes an interesting study to see the effect of solvency and

liquidity on profitability in property companies listed on the Indonesian Sharia Stock Index.

The debt factor that should make profits decrease, but there are some that debt can be a savior because of the covid-19 pandemic, the government provides a policy of deferring debt payments for business people. Meanwhile, in terms of liquidity (the company's ability to pay short-term obligations), Islamic property companies provide a good image, with liquid financial processes in paying short-term obligations. So that it gives confidence to investors to be able to invest in shares, and has an impact on increasing the profits of the sharia property company itself.

In general, Islamic property companies during the pandemic, debt factors and liquid financial factors have an influence on profit levels and it is an assessment that the covid-19 pandemic is one of the triggers for the decline in housing sales as well as a savior of debt suspension policies for business people.

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