

The Effect of Financial Performance and Market Risk on Stock Trading Volume

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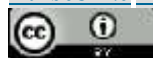
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ABSTRACT

This study aims to examine the effect of financial performance and market risk on stock trading volume. Financial performance is proxied by liquidity, solvency, activity, profitability, and earnings growth, while market risk is measured by stock beta. The research employs a quantitative approach using secondary data obtained from the Indonesia Stock Exchange and analyzed through multiple linear regression with SPSS version 25. The results indicate that liquidity, profitability, and market risk have a negative and significant effect on stock trading volume, while activity has a positive and significant effect. Meanwhile, solvency and earnings growth do not have a significant effect. Simultaneously, all independent variables significantly affect stock trading volume; however, the explanatory power of the model remains relatively limited. These findings suggest that investors respond selectively to specific financial indicators and market risk in making trading decisions.

INTRODUCTION

The capital market plays a crucial role in facilitating the allocation of financial resources from surplus units to deficit units and supporting economic growth (Nasution, 2023). Investment decisions in the capital market are largely driven by the availability and quality of information, as investors rely on observable signals to evaluate firm performance and assess risk (Eugene F. Brigham, 2019). One important indicator reflecting investor response to information is stock trading volume, which represents the intensity of trading activity and serves as a proxy for market liquidity (Musneh et al., 2021). Trading volume captures investor behavior more directly than stock prices or returns, as it reflects immediate reactions to information disclosed by firms (Wulandari & Maika, 2024a).

Information asymmetry between corporate management and external investors remains a fundamental issue in capital market activities. Signaling theory explains that managers possess superior information regarding firm conditions and future prospects and attempt to reduce information asymmetry by conveying signals through financial statements and other observable indicators (Spence, 1973; Conelly, Brian L, 2010). Financial information disclosed by firms is interpreted by investors as a signal of firm quality, financial stability, and operational effectiveness, which influences investor perceptions and decision-making processes (Elga et al., 2022). Investor interpretation of these signals is reflected in stock trading activity, as financial information influences investor confidence and trading decisions, which are manifested through changes in trading volume (Eugene F. Brigham, 2019).

Financial performance indicators represent internal signals used by investors to evaluate firms. Liquidity reflects a firm's ability to meet short-term obligations and indicates financial flexibility (Kasmir, 2019). Solvency indicates the level of long-term financial risk and the sustainability of the firm's capital structure (Eugene F. Brigham, 2019). Activity ratios describe the efficiency of asset utilization in generating revenue, while profitability reflects the firm's ability to generate earnings from invested resources (Kasmir, 2019). Earnings growth signals future performance prospects and is often interpreted by investors as an indicator of firm expansion and sustainability. These indicators collectively shape investor confidence and influence trading decisions, particularly during periods of economic uncertainty (Kasmir, 2019).

Investor behavior is influenced not only by firm-specific financial performance but also by external market conditions that shape investors' perceptions and decision-making processes. Market risk reflects the uncertainty and volatility inherent in stock market movements, which may affect investors' attitudes toward risk and their trading intensity. Empirical evidence suggests that investor behavior is closely related to how external conditions are perceived and interpreted in investment decisions (Marciano et al., 2024). Market risk therefore functions as an external signal that complements internal financial information in shaping investor trading behavior.

The period from 2020 to 2024 was characterized by heightened economic uncertainty resulting from the COVID-19 pandemic, supply chain disruptions, inflationary pressures, and global monetary tightening. These conditions affected corporate financial performance and increased volatility in capital markets, including Indonesia (Sri & Agung, 2022). Fluctuations in financial performance and market risk during this period potentially reduced the consistency of signals received by investors and raised questions regarding the effectiveness of financial and market indicators in explaining investor trading behavior (Reistiawati Utami et al., 2024).

Sectoral characteristics further influence how investors interpret financial and market signals. The food and beverage subsector is commonly classified as a defensive industry due to relatively stable consumer demand across economic cycles (Fabra et al., 2020). Firms operating in defensive sectors are generally expected to demonstrate greater resilience during periods of economic downturn. Empirical evidence, however, indicates considerable variation in stock trading volume among food and beverage companies, suggesting heterogeneous investor responses to financial performance and market risk signals even within the same subsector (Watondatu & Wuryani, 2020).

Previous empirical studies have primarily examined the relationship between financial performance, market risk, and stock prices or returns, while evidence focusing on stock trading volume remains limited. Studies that explicitly focus on stock trading volume as the dependent variable remain limited, particularly in defensive industries and during periods of prolonged economic instability (Musneh et al., 2021). Empirical evidence from emerging markets such as Indonesia is also relatively scarce, despite differences in market structure, investor behavior, and information efficiency compared to developed markets (Elga et al., 2022).

This study addresses these gaps by examining the influence of financial performance and market risk on stock trading volume in food and beverage companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Financial performance is proxied by liquidity, solvency, activity, profitability, and earnings growth, while market risk is represented by stock beta. The focus on stock trading volume provides a behavioral perspective on investor response that complements traditional price- and return-based analyses. The contribution of this study lies in its extension of signaling theory by providing empirical evidence on the relevance of internal financial signals and external market risk signals in explaining investor trading behavior under conditions of economic uncertainty. The study also offers empirical insights based on a niche sample consisting of firms operating in a defensive subsector during a crisis and post-crisis period. The use of stock trading volume as the main outcome variable contributes an alternative approach to understanding market reactions beyond valuation-based measures.

This study aims to analyze the extent to which liquidity, solvency, activity, profitability, earnings growth, and market risk influence stock trading volume of food and beverage companies listed on the Indonesia Stock

Exchange during the 2020–2024 period, thereby enhancing understanding of investor behavior in interpreting financial and market-related signals within a defensive industry context.

LITERATURE REVIEW

Signaling Theory

Signaling theory, introduced by Spence, (1973) explains the existence of information asymmetry between corporate management as internal parties and investors as external parties. Management possesses more comprehensive and detailed information regarding the firm's condition and performance, while investors face limitations in accurately assessing the firm's true condition. To reduce information asymmetry, management conveys signals to the market through financial statement disclosures, dividend announcements, and other corporate policies. These signals are interpreted by investors and reflected in changes in investment behavior, such as stock prices and stock trading volume (Eugene F. Brigham, 2019)

Signaling theory consists of four main elements: the signaler, represented by corporate management; the signal, in the form of financial information or corporate policies; the receiver, including investors, creditors, and analysts; and feedback, which refers to market reactions to the signals conveyed. Empirical studies indicate that signaling theory is relevant in the Indonesian capital market, where firms listed on the Indonesia Stock Exchange use financial performance and corporate policies as signals to investors. However, the effectiveness of these signals is not always optimal, as market responses particularly stock trading volume—do not consistently increase alongside improvements in financial performance, especially during periods of high market risk. This finding suggests that while firms attempt to reduce information asymmetry through signaling mechanisms, their effectiveness depends on investor confidence and the level of market efficiency (Reistiawati Utami et al., 2024)

Financial Performance

Financial performance represents a key indicator used to assess a firm's success in generating profits and managing its resources effectively. It reflects the firm's financial condition and operational effectiveness, which can be evaluated through various financial measures to assess profitability, liquidity, asset efficiency, and capital structure within a specific period (Wilasittha & Sadzili, 2024). Financial analysis provides a systematic approach to evaluating a firm's performance by examining relationships among financial statement components, thereby indicating operational efficiency and earning capacity (Eugene F. Brigham, 2019).

In this study, financial performance functions as a primary signal conveyed by management to the market. According to signaling theory (Spence, 1973), information regarding a firm's financial condition serves as a communication mechanism between internal parties and external investors. Positive financial signals, such as improved profitability or asset efficiency,

are expected to enhance investor perceptions of stock prospects, while deteriorating financial performance may convey negative signals that reduce investor confidence and interest.

Ratio (Current Ratio)

The current ratio measures a firm's ability to utilize its current assets to meet short-term obligations. A high level of liquidity indicates strong short-term financial stability and effective cash management, which serves as a positive signal to investors. Firms with higher liquidity are generally perceived as financially healthy, thereby strengthening investor confidence and potentially increasing stock trading activity due to favorable market perceptions (Tantri & Djawoto, 2019 ; Yuniningsih et al., 2019)

H₁: Liquidity has a positive effect on stock trading volume.

Solvency Ratio (Debt to Equity Ratio)

The debt to equity ratio reflects the proportion of debt relative to shareholders' equity in a firm's capital structure. A high DER indicates greater reliance on external financing, which increases financial risk faced by the firm (Sri & Agung, 2022). Firms with high leverage are often perceived as financially riskier, leading investors to be more cautious. Empirical studies show that higher debt levels tend to reduce investor interest and trading activity due to increased perceptions of default risk (Rahmad & Rudianto, 2023 ; Tantri & Djawoto, 2019)

H₂: Solvency has a negative effect on stock trading volume.

Activity Ratio (Total Asset Turnover)

Total asset turnover (TATO) measures a firm's ability to utilize its total assets efficiently to generate revenue. A high TATO indicates effective asset utilization and strong operational efficiency, reflecting management's capability in supporting business activities (Sri & Agung, 2022). Efficient asset management is perceived by investors as a positive signal, as it suggests sustainable operational performance. Empirical evidence shows that higher activity ratios tend to increase investor confidence and encourage greater trading activity, which is reflected in higher stock trading volume (Rahmad & Rudianto, 2023 ; Watondatau & Wuryani, 2020)

H₃: Activity has a positive effect on stock trading volume.

Profitability Ratio (Return on Equity)

Return on Equity (ROE) reflects a firm's ability to generate net profit from shareholders' equity. A high ROE indicates efficient use of equity and the firm's capacity to create economic value for investors (Rahmad & Rudianto, 2023) Empirical studies show that higher profitability strengthens market confidence, as investors regard ROE as a key indicator of financial performance. Increased profitability tends to enhance investor interest and market liquidity, which may lead to higher stock trading activity (Reistiawati Utami et al., 2024 ; Wulandari & Maika, 2024)

H4: Profitability has a positive effect on stock trading volume. Earnings Growth

Earnings growth reflects a firm's ability to increase net income from one period to the next and indicates its growth potential as well as managerial capability in sustaining long-term performance (Meli et al., 2024). Positive earnings growth is commonly interpreted as a signal of expansion and competitive strength, which is reflected in improved financial performance. Empirical evidence suggests that consistent profit growth enhances investor interest, as it signals higher expected future returns and stronger firm prospects (Meli et al., 2024). From a signaling perspective, earnings growth serves as an important indicator in reducing information asymmetry between firms and investors. Improvements in earnings performance convey positive internal conditions and future potential, which may encourage investors to increase trading activity. As a result, higher earnings growth is expected to stimulate stock trading volume as investors respond to favorable financial signals (Eugene F. Brigham, 2019)

H5: Earnings growth has a positive effect on stock trading volume.

Market Risk

Market risk refers to the potential changes in investment value resulting from overall market fluctuations, such as interest rates, inflation, and macroeconomic conditions. In this study, market risk is measured using stock beta (β), which reflects the sensitivity of a stock's return to market movements (Samsul, 2015). A beta greater than one indicates an aggressive stock with higher risk than the market, while a beta below one represents a defensive stock with lower volatility (Eugene F. Brigham, 2019). From the perspective of signaling theory, stock beta serves as an external risk signal for investors. A lower beta indicates stability and conveys a positive signal regarding investment safety, whereas a higher beta reflects greater uncertainty and conveys a negative signal about firm prospects (Kurniawan & Nugroho, 2025). As investors interpret these risk signals, higher market risk may lead to more cautious trading behavior, which is ultimately reflected in lower stock trading volume.

H6: Market risk has a negative effect on stock trading volume.

Stock Trading Volume

Stock trading volume is an important indicator in financial market analysis, as it reflects market liquidity, investor participation, and investor responses to corporate information (Febriyanto & Adbis, 2022). Trading volume represents the number of shares traded within a given period and is commonly used as a proxy for market reactions to both fundamental and non-fundamental information released by firms (Musneh et al., 2021). According to signaling theory, the market responds to signals conveyed through public information such as financial reports, performance announcements, and dividend policies (Puspitasari et al., 2025). Positive signals, including improved profitability or stable market risk, tend to encourage buying

activity and increase stock trading volume. In contrast, negative signals, such as declining earnings or rising market risk, may reduce trading activity as investors anticipate potential losses (Wulandari & Maika, 2024). In addition, stock trading volume reflects the level of information efficiency in the capital market. An increase in trading volume following information disclosure indicates that the market is able to process and respond to available signals in a timely and rational manner (Chordia & Miao, 2020). Therefore, this study employs stock trading volume as the dependent variable to represent investor responses to signals derived from financial performance and market risk of food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

The following section presents the conceptual framework, which outlines the theoretical foundations and illustrates the relationships among the key variables examined in this study.

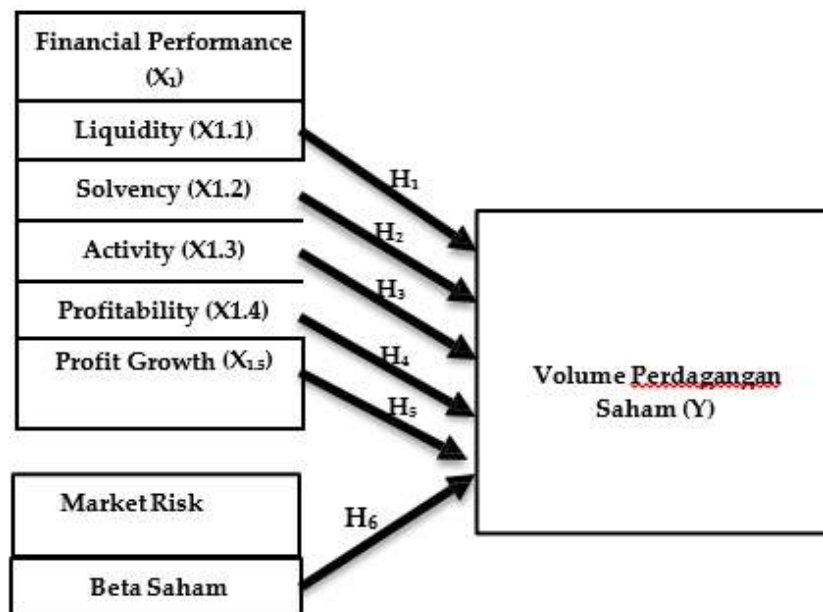


Figure 1 Conceptual Framework

METHODOLOGY

This study adopts a quantitative research approach employing descriptive and verification methods. Quantitative research involves numerical data collection, analysis, and interpretation to test theories or hypotheses objectively and systematically (Judijanto et al., 2024: 4). This approach is appropriate as all variables are measured in numerical form, enabling specific and empirical hypothesis testing. The descriptive method is used to explain the actual conditions of financial performance, market risk, and stock trading activity of Food and Beverage (F&B) subsector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Meanwhile, the verification method is applied to empirically examine the causal relationships among variables based on the conceptual framework and hypotheses previously developed, thereby providing empirical validation of the proposed theoretical model.

This research utilizes quantitative secondary data. Secondary data refer to information published or generated by other parties rather than the researcher (Judijanto et al., 2024: 16). The data were obtained from official and publicly accessible sources, including annual reports published on the official website of the Indonesia Stock Exchange (IDX) and the respective company websites, as well as Yahoo Finance, which provides stock-related data such as trading volume and stock beta. Additional data, including outstanding shares and the Composite Stock Price Index (IHSG), were used to calculate stock beta as a proxy for market risk. These data were subsequently processed to compute financial ratios, stock beta values, and stock trading volume, which constitute the primary variables of this study.

The population consists of F&B (consumer non-cyclicals) companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Population refers to the entire set of analysis units possessing characteristics relevant to the research objectives (Judijanto et al., 2024: 12), while a sample represents a subset selected based on specific criteria to reflect the population (Judijanto et al., 2024: 14). The sampling technique applied is purposive sampling, whereby samples are selected according to predetermined criteria. The criteria include: (1) companies listed during 2020–2024; (2) companies not delisted during the observation period; (3) companies not subject to trading suspension; (4) companies publishing complete financial statements throughout 2020–2024; (5) companies with publicly available data on stock prices, trading volume, and outstanding shares; and (6) companies remaining actively listed until the end of 2024 to ensure data continuity and reliability. The sample selection was conducted systematically. From an initial population of 131 firms, 24 companies met all selection criteria. With a five-year observation period, the study obtained 120 firm-year observations, which were subsequently analyzed to test the proposed hypotheses.

RESEARCH RESULTS

Descriptive Statistical Test

Table 1. Descriptive Statistical Test Results

	N	Min	Max	Mean	Std. Devisiation
Stock Trading Volume	120	10,74	23,34	18,7313	2,95881
Liquidity	120	0,66	27,90	1,7759	2,68804
Solvency	120	0,10	6,89	1,1692	1,05777
Aktiviy	120	0,06	15,92	1,4558	1,56960
Profitability	120	-11,030	1,420	0,04364	1,044919
Earnings Growth	120	-37,120	42,000	0,09307	5,583882
Market Risk	120	-0,70	1,50	0,2679	0,49521

Source: Secondary Data, Indonesia Stock Exchange, SPSS Version 25

Table 1.1, presents the descriptive statistics of the study variables based on 120 firm-year observations. Stock Trading Volume shows a mean value of

18.7313, ranging from 10.74 to 23.34, with a standard deviation of 2.95881, indicating moderate variability among firms. Liquidity has an average of 1.7759, with values between 0.66 and 27.90, suggesting substantial dispersion as reflected in its standard deviation of 2.68804. Solvency records a mean of 1.1692 and ranges from 0.10 to 6.89, while Activity has an average of 1.4558, with values between 0.06 and 15.92, both indicating variation in firms' operational and capital structures. Profitability exhibits a relatively low mean of 0.04364, with a minimum of -11.030 and a maximum of 1.420, suggesting that some firms experienced significant losses during the observation period. Earnings Growth shows the widest dispersion, ranging from -37.120 to 42.000, with a standard deviation of 5.83882, indicating high volatility in firms' earnings performance. Meanwhile, Market Risk has a mean beta of 0.2679, ranging from -0.70 to 1.50, with a standard deviation of 0.49521, reflecting differences in systematic risk exposure among the sampled firms.

Classical Assumption Test Results Normality Test

Table 2. Normality Test Result

		Unstandardized Residual
N		120
Normal Parameters a.b	Mean	0,0000000
	Std.Deviation	2,54114049
Most Extreme Differences	Absolute	0,054
	Positive	0,030
	Negative	-0,054
Test Statistic		0,054
Asymp. Sig. (2-tailed)	Sig.	0,200 c.d

Source: Secondary Data, Indonesia Stock Exchange, SPSS Version 25

Based on Table 2.1, the normality test was conducted using the One-Sample Kolmogorov-Smirnov test on the unstandardized residuals. The results show that the number of observations (N) is 120, with a Kolmogorov-Smirnov Z value of 0.054 and a significance value (Asymp. Sig. 2-tailed) of 0.200. Since the significance value exceeds the 0.05 threshold, the residuals are normally distributed. Therefore, the regression model satisfies the normality assumption and is appropriate for further regression analysis and hypothesis testing.

Multikolinierity Test

Table 3. Multikolinierity Test Result

Model	Colinierity Statistic	
	Tolerance	VIF
(Constant)		
Liquidity	0,216	4,639
Solvency	0,676	1,479
Aktivty	0,996	1,004
Profitability	0,184	5,435
Earnings Growth	0,996	1,004
Market Risk	0,924	1,082

Source: Secondary Data, Indonesia Stock Exchange, SPSS Version 25

Based on Table 3.1, multicollinearity was examined using Tolerance and Variance Inflation Factor (VIF) values for each independent variable. A regression model is considered free from multicollinearity if the tolerance value exceeds 0.10 and the VIF is below 10.

The results indicate that all independent variables meet these criteria, with tolerance values above 0.10 and VIF values below 10. Although several variables show relatively higher VIF values compared to others, they remain within the acceptable threshold. Therefore, it can be concluded that the regression model does not suffer from multicollinearity, and all independent variables are appropriate for further regression analysis and hypothesis testing.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test Result

Model	Unstandarized			Std. Coefficients	
	B	Std. Error	Beta	t	Sig.
(Constant)	2,041	0,362		5,647	0,000
1 Liquidity	0,015	0,108	0,057	0,289	0,773
Solvency	-0,84	0,157	-0,60	-0,533	0,595
Aktivty	0,005	0,088	0,005	0,058	0,954
Profitability	0,260	0,302	0,184	0,861	0,391
Earnings Growth	-0,010	0,024	-0,038	-0,417	0,678
Market Risk	0,232	0,172	0,132	1,347	0,181

Source: Secondary Data, Indonesia Stock Exchange, SPSS Version 25

Based on Table 4.1, the heteroscedasticity test results show that all independent variables have significance (Sig.) values greater than 0.05.

Specifically, Liquidity (0.773), Solvency (0.595), Activity (0.954), Profitability (0.391), Earnings Growth (0.678), and Market Risk (0.181) all exceed the 5% significance level. These findings indicate that none of the independent variables significantly affect the absolute residuals, suggesting the absence of heteroscedasticity in the regression model. Therefore, the model satisfies the homoscedasticity assumption and is appropriate for further regression analysis.

Autocorrelation Test

Table 5. Autocorrelation Test Result

Model	R	R Square	Adjust R Square	Std. Error of the Estimate	Durbin-Watson
1	0,505 ^a	0,255	0,215	2,62149	1,932

Source: Secondary Data, Indonesia Stock Exchange, SPSS Version 25

Based on the Durbin-Watson (DW) test, the obtained DW value is 1.932. With 120 observations (N = 120) and six independent variables (k = 6), the lower bound (dL) is 1.61642 and the upper bound (dU) is 1.78964. According to the Durbin-Watson criteria, a model is free from autocorrelation if the DW value lies between dU and 4 - dU. Since 1.78964 < 1.932 < 2.21036 (4 - dU), the regression model does not exhibit either positive or negative autocorrelation. Therefore, the autocorrelation assumption is satisfied, and the model is appropriate for further analysis.

Multiple Linear Regression Analysis Results

Multiple linear regression analysis is employed to examine the effect of two or more independent variables on a single dependent variable, both simultaneously and partially. This analysis also assesses the strength of the relationships and the model’s ability to explain variations in the dependent variable. The regression model is formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where:

Y = Stock Trading Volume

α = Constant

β₁-β₆ = Regression coefficients of each independent variable X₁ = Liquidity (CR)

X₂ = Solvency (DER) X₃ = Activity (TATO)

X₄ = Profitability (ROE) X₅ = Earnings Growth

X₆ = Market Risk (Stock Beta)

ε = Error term

The regression testing includes the simultaneous test (F-test), partial test (t-test), and coefficient of determination (R²) to evaluate the validity and explanatory power of the model.

Hypothesis Testing

Simultaneous Significance Test (F-test)

Table 6. Simultaneous Significance Test (F-test) Result

Model	Sum Of Squares	df	Mran Square	F	Sig.
Regression	265,228	6	44,205	6,432	0,000 ^b
Residual	776,562	113	6,872		
Total	1041,791	119			

Source: Secondary Data, Indonesia Stock Exchange, SPSS Version 25

Based on Table 6.1, the simultaneous significance test (F-test) shows an F-value of 6.432 with a significance level of 0.000. Since the p-value is below 0.05, all independent variables jointly have a significant effect on the dependent variable. The regression Sum of Squares (265.228) is smaller than the residual Sum of Squares (776.562), indicating that a substantial portion of variation remains unexplained, which is consistent with the relatively low coefficient of determination. Therefore, although the model's explanatory power is limited, the F-test confirms that the regression model is statistically significant and appropriate for further partial testing using the t-test.

Partial Significance Test (t-test)

Table 7. Partial Significance Test (t-test) Result

Model	Unstanda rized B	Coefficients Std.Error	Standarized Coefficients Beta	t	Sig.
(Constant)	20,197	0,642		31,4777	
Liquidity	-0,576	0,192	-0,524	-2,998	0,003
Solvency	-0,276	0,279	-0,099	-0,989	0,325
Aktivitiy	0,316	0,156	0,167	2,027	0,045
Profitability	-1,314	0,536	-0,464	-2,453	0,016
Earnings Growth	-0,51	0,043	-0,096	-1,182	0,240
Market Risk	-1,571	0,306	-0,444	-5,130	0,000

Source: Secondary Data, Indonesia Stock Exchange, SPSS Version 25

Based on the t-test results, Liquidity has a significance value of 0.003 with a negative coefficient, indicating a significant negative effect on stock trading volume. This suggests that higher liquidity is associated with lower trading volume, holding other variables constant. Solvency shows a significance value of 0.325 (> 0.05), indicating no significant effect on trading volume. Similarly, Earnings Growth is not significant ($p = 0.240$), suggesting that profit growth does not influence trading activity during the observation period. Activity has a significance value of 0.045 with a positive coefficient, demonstrating a positive and significant effect on trading volume. Profitability is also significant ($p = 0.016$) but has a negative coefficient, indicating an inverse relationship with trading volume. Market Risk, measured by stock beta, shows

a significance value of 0.000 with a negative coefficient, implying a significant negative effect on trading volume. Overall, the t-test results indicate that only certain independent variables significantly affect stock trading volume, suggesting that investors' trading decisions are influenced by specific financial and risk-related factors rather than all variables included in the model.

Coefficient of Determination (R²) Test

Table 8. Coefficient of Determination (R²) Test

Model	R	R square	Adjust R Square	Std. Error of the Estimate
1	0,505a	0,255	0,215	2,62149

Source: Secondary Data, Indonesia Stock Exchange, SPSS Version 25

Based on Table 8.1, the multiple regression results show an R value of 0.505, indicating a moderate and positive correlation between all independent variables and the dependent variable. This suggests that changes in the independent variables are moderately associated with changes in stock trading volume. The R Square value of 0.255 implies that 25.5% of the variation in the dependent variable is explained by the independent variables, while 74.5% is influenced by other factors outside the model. The Adjusted R Square of 0.215 indicates that, after adjusting for the number of predictors and sample size, the model explains 21.5% of the variance, suggesting limited explanatory power. Furthermore, the Standard Error of the Estimate is 2.62149, reflecting the average prediction error of the model. Although the model is statistically acceptable, its predictive accuracy remains moderate and could be improved by incorporating additional relevant variables.

DISCUSSION

Effect of Liquidity on Stock Trading Volume

Liquidity, proxied by the Current Ratio (CR), demonstrates a significant negative effect on stock trading volume. This finding indicates that increases in liquidity are associated with decreases in trading activity, contradicting the proposed positive hypothesis. This negative relationship can be explained by the distribution characteristics of liquidity within the sample. The descriptive statistics reveal high dispersion, indicating that extremely high liquidity values were concentrated in a limited number of firms rather than evenly distributed. Such extreme liquidity levels may reflect inefficient asset utilization rather than strong short-term financial health. From the perspective of signaling theory (Spence, 1973), financial indicators serve as market signals; however, excessively high liquidity may be interpreted as suboptimal capital allocation, thereby reducing investor trading interest. This result is consistent with Choirudin & Istanti, (2024), who find that liquidity does not always generate positive market reactions. Therefore, H1 is rejected.

Effect of Solvency on Stock Trading Volume

Solvency, measured by the Debt-to-Equity Ratio (DER), does not significantly influence stock trading volume. The leverage levels among sampled firms were relatively homogeneous and remained within reasonable boundaries, limiting their ability to differentiate firms in the eyes of investors. According to signaling theory as expanded by Conelly, Brian L, (2010), financial information functions effectively as a signal only when it provides observable and distinctive differences across firms. Since solvency levels did not vary substantially, they lacked sufficient signal strength to trigger different investor responses. This finding aligns with Dewi & Putri, (2024) who report no significant relationship between solvency and trading activity. Hence, H2 is rejected.

Effect of Activity on Stock Trading Volume

Activity, proxied by Total Asset Turnover (TATO), shows a positive and significant effect on trading volume. Higher asset efficiency reflects stronger operational performance, which attracts investor interest and increases trading activity. Consistent with signaling theory (Spence, 1973), operational efficiency provides a positive signal regarding a firm's future prospects. Investors interpret higher activity ratios as evidence of effective asset management and revenue generation capability. This finding supports Effendi & Hermanto, (2017), who document a positive association between activity ratios and market performance indicators. Therefore, H3 is accepted.

Effect of Profitability on Stock Trading Volume

Profitability, measured by Return on Equity (ROE), exhibits a significant negative effect on trading volume, contrary to the hypothesized positive relationship. Although profitability is generally considered a favorable financial indicator, the sample data show wide dispersion and the presence of negative ROE values, indicating unstable performance among firms. Under signaling theory (Spence, 1973), profitability acts as a signal of managerial effectiveness and firm prospects. However, fluctuating or negative profitability weakens investor confidence and may generate negative market reactions. Investors may prioritize stability over short-term profit increases. This finding is consistent with Eni & Silvia, (2020), who demonstrate that profitability does not always elicit positive market responses. Accordingly, H4 is rejected.

Effect of Earnings Growth on Stock Trading Volume

Earnings Growth does not have a significant effect on stock trading volume. The data indicate substantial volatility and extreme fluctuations in growth rates, suggesting inconsistent financial performance across firms. Signaling theory suggests that financial information influences investor decisions only when it reflects stable and credible performance (Spence, 1973). Highly volatile earnings growth weakens its signal strength and reduces its relevance in investor decision-making. This finding aligns with Primasatya & Arliana, (2024), indicating that investors tend to focus more on

sustainability and stability rather than short-term earnings changes. Thus, H5 is rejected.

Effect of Market Risk on Stock Trading Volume

Market risk, proxied by stock beta, has a significant negative effect on trading volume. Higher systematic risk increases uncertainty and discourages investor participation, leading to reduced trading activity. From a signaling perspective (Spence, 1973), elevated market risk conveys negative information regarding firm stability and exposure to market fluctuations. Investors tend to adopt more cautious strategies in high-risk conditions, thereby lowering transaction frequency. This result supports Fauzi & Na, (2020), who report that market risk negatively influences market performance indicators. Consequently, H6 is accepted.

CONCLUSIONS AND RECOMMENDATIONS

Based on the empirical analysis and by considering the characteristics of each variable, the conclusions of this study are as follows:

1. Liquidity has a negative effect on stock trading volume, indicating that excessively high and uneven liquidity levels are not perceived as a positive signal by investors, thereby reducing trading activity.
2. Solvency has no effect on stock trading volume, as the leverage levels of the sampled companies are relatively homogeneous and remain within reasonable limits, making them insufficient to differentiate financial risk from the investors' perspective.
3. Activity has a positive effect on stock trading volume, suggesting that efficiency in utilizing assets to generate sales is perceived as a positive operational performance signal and increases investor trading interest.
4. Profitability has a negative effect on stock trading volume, indicating that unstable earnings and the presence of loss-making firms cause profit information not to be consistently perceived as a positive signal by investors.
5. Earnings growth has no effect on stock trading volume, as the earnings growth of the sampled firms tends to be fluctuating and inconsistent, resulting in weak signaling power in influencing investor decisions.
6. Market risk has a negative effect on stock trading volume, indicating that higher stock sensitivity to market movements increases uncertainty, leading investors to reduce trading activity.

Research Limitation

1. This study only employs liquidity, solvency, activity, profitability, earnings growth, and market risk as independent variables; therefore, it does not incorporate other factors such as investor sentiment and macroeconomic variables that may influence stock trading volume.
2. The relatively limited observation period prevents this study from fully capturing the long-term dynamics of the capital market.
3. The research sample is confined to companies within a specific sector; thus,

the findings cannot be broadly generalized to all industry sectors.

4. The use of multiple linear regression only captures linear relationships among variables and does not account for potentially more complex or dynamic interactions.

ADVANCED RESEARCH

Based on the findings and limitations of this study, several recommendations are proposed for future researchers. Future studies are encouraged to incorporate additional variables that may influence stock trading volume, such as investor sentiment, dividend policy, stock price volatility, and macroeconomic factors including inflation, interest rates, and exchange rates, in order to develop a more comprehensive research model. Moreover, extending the observation period and expanding the sample to include different industrial sectors may enhance the generalizability of the findings. Researchers are also advised to employ alternative methodological approaches, such as dynamic panel data models, nonlinear regression, or the inclusion of moderating and mediating variables to capture more complex relationships among variables. Additionally, future studies may consider using alternative proxies for measuring financial performance and market risk to obtain more robust results and facilitate comparisons with other empirical findings.

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