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THE ROLE OF FINANCIAL PERFORMANCE AS A MEDIATOR OF LIQUIDITY, SOLVENCY, AND STOCK PRICES IN THE CHEMICAL SECTOR OF THE IDX 2020-2024

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Abstrak

This study examines the effect of liquidity and solvency on financial performance as measured by profitability, and its impact on stock prices of chemical sector companies during the period 2020-2024. Path analysis shows that solvency has a positive and significant effect on profitability with a path coefficient of 0.730 (t-statistic = 10.315; p = 0.000), confirming the importance of capital structure management in improving the company's financial performance. Conversely, liquidity has a negative but significant effect on profitability with a coefficient of -0.431 (t-statistic = 4.528; p = 0.000), indicating potential inefficiencies in managing current assets. Furthermore, the effect of profitability on stock prices is not significant with a coefficient of -0.172 (t-statistic = 1.200; p = 0.115), so the hypothesis of a positive effect of financial performance on stock prices is not supported. Therefore, the mediating role of profitability in the relationship between liquidity and stock prices and between solvency and stock prices is also not significant, confirming the complexity of the factors that influence stock prices in this sector. These findings indicate that stock price dynamics cannot be fully explained by internal financial indicators, but are also influenced by external factors and broader market conditions. This study makes an important contribution to financial management theory and practice and encourages further research to identify other critical factors that influence stock market value

INTRODUCTION

The capital market is one of the main pillars in the modern economy that functions as a means of allocating funds from investors to companies that need capital

for expansion and operations. In the capital market, stock prices function as a reflection of the company's value and are the main indicator for investors in assessing the company's performance and prospects. According to Idris, stock prices can be influenced by various financial factors such as profitability, liquidity, and solvency, all of which can affect the company's value through stock price mediation (Idris, 2021) . This facility is also explained by Pradanimas and Sucipto, who emphasize that stock price fluctuations are determined by the dynamics of supply and demand in the capital market, where stock prices will be formed based on strategic decisions taken by investors (Pradanimas & Sucipto, 2022) . Furthermore, higher stock prices often focus on the company's positive future performance, as expressed by Zapar et al., who show the importance of stock price prediction analysis as a crucial element for investment success (Zapar et al., 2024) .

A study conducted by Nurhasanah and Hasnawati showed that the value relevance of financial reports has a direct effect on stock prices. This shows that good quality financial reports are very important for investors in making investment decisions (NURHASANAH & Hasnawati, 2020) . The results of this study are in line with the claim that stock prices reflect market perceptions of a company's value, where higher stock prices are usually accompanied by a more positive company image. (Wahyuni et al., 2023) .

In order to assess the financial health of a company, the liquidity and solvency aspects play a fundamental role. The liquidity aspect is very important because it provides an indication of how quickly a company can convert assets into cash to fund daily operations. Research shows that companies with good liquidity can more easily carry out their activities without facing significant financial problems (Syeda, 2021). In the context of insurance companies, research by Afiqah and Laila states that liquidity affects solvency, as measured by Risk Based Capital (Afiqah & Laila, 2021) . This shows that companies that have effective liquidity management will be better able to ensure their long-term solvency.

On the other hand, solvency is closely related to the long-term financial health of a company. Research by Oino underlines the importance of solvency in periods of economic uncertainty, where companies with good solvency levels can survive better in the midst of a crisis (Oino, 2021) . In this context, companies that fail to maintain adequate solvency levels are at risk of bankruptcy or greater financial distress, especially during periods of high economic stress as seen during the COVID-19 pandemic (Cáceres et al., 2020; Tressel & Ding, 2021) . Rizqiyani et al. noted that understanding the dynamics between these three factors profitability, liquidity, and solvency is essential for designing a resilient financial strategy (Rizqiyani et al., 2024) . The results of the study also showed that companies that not only maintain liquidity but also ensure strong solvency tend to show better overall financial performance and are better prepared to face market uncertainty (Faturohman et al., 2024) .

Thus, financial analysis instruments such as liquidity ratios, solvency ratios, and others will be very necessary to assess and improve the company's financial position in the long term (Abiola & Othman, 2022; Indah et al., 2024; Pangaribuan et al., 2023) .

Company financial performance, including profitability, operational efficiency, and growth, is a key variable that can mediate the relationship between liquidity and solvency conditions and stock prices. Research shows that liquidity as measured by ratios such as Current Ratio (CR) and Quick Ratio, as well as profitability expressed in Return on Assets (ROA) and Net Profit Margin (NPM), significantly affect the stock prices of companies listed on the Indonesia Stock Exchange (IDX) (Imelda et al., 2022;

Sudirman et al., 2023; Wulandari et al., 2024) . For example, research by (Sudirman et al., 2023) shows that financial performance simultaneously has a significant effect on stock prices in the banking industry (Sudirman et al., 2023) . In addition, research by Agung and Pangestu (2023) found that profitability and liquidity ratios contribute significantly to determining stock prices in retail companies (Agung & Pangestu, 2023)

The interaction between liquidity and solvency conditions also plays a role in supporting better financial performance, which ultimately creates more value for the company and increases investor interest. (Widiantoro & Khoiriawati, 2023) . Research by (Imelda et al., 2022) confirms that liquidity, profitability, and market ratios affect stock prices, and with increasing financial performance, financial indicators become more attractive to investors (Imelda et al., 2022) . In this case, solvency measured through the Debt to Equity Ratio (DER) and other parameters shows that companies with solid financial management tend to be more able to attract investment, given the lower risk to shareholders (Widiantoro & Khoiriawati, 2023) .

Considering these influences, it is clear that capital structure, liquidity, and financial performance not only have a direct influence but also mediate the relationship between solvency and stock prices. The results of research by Lumintasari and Nursiam (2022) support this by showing that financial variables including ROE, CR, and DER have a significant influence on stock prices in various sectors (Lumintasari & Nursiam, 2022) . Furthermore, research by (Ratnaningtyas, 2021) ; states that good financial performance indicated by high profit margins and effective use of assets creates trust among investors, which can then drive up stock prices (Aminatuzzuhro et al., 2023; Ratnaningtyas, 2021) .

The chemical sector in Indonesia plays an important role as one of the strategic industrial sectors that contributes significantly to the national economy. This sector not only provides raw materials for various manufacturing industries but also meets consumer needs in various daily aspects. In addition, the chemical sector collaborates with other sectors, such as agriculture and the food industry, to increase the added value of the products produced (Rahmawan & Angraini, 2021) .

Based on research conducted by Handini and Martiningtyas, there is a close relationship between institutional ownership and the performance of companies listed on the Indonesia Stock Exchange (IDX), including companies from the chemical industry sub-sector (Handini & Martiningtyas, 2023) . This shows that good management and support from institutional owners can increase the efficiency and competitiveness of companies in the chemical sector. In addition, the processing industry, including the chemical sector, is the sector with the largest output value, which shows the importance of the role of this sector in the national and regional economic structure, especially in Sumatra Island (Wijimulawiani, 2022) .

To improve efficiency and productivity in this sector, it is necessary to implement an efficient management system, including raw material and supply chain management (Simatupang & Winarno, 2022) . By utilizing technological advances, companies in the chemical sector can improve production flows and reduce operational costs, which in turn will contribute to overall economic growth (Owa et al., 2023) .

FORMULATION OF THE PROBLEM

1. How does liquidity affect stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period?

2. How does solvency affect stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period?

3. To what extent does financial performance mediate the relationship between liquidity and stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the period 2020-2024?

4. To what extent does financial performance mediate the relationship between solvency and stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the period 2020-2024?

5. How does the interaction between liquidity, solvency, and financial performance affect stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period?

RESEARCH PURPOSES

1. Analyzing the effect of liquidity on stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.

2. Analyzing the effect of solvency on stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.

3. Investigating the role of financial performance as a mediating variable in the relationship between liquidity and stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the period 2020-2024.

4. Investigating the role of financial performance as a mediating variable in the relationship between solvency and stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the period 2020-2024.

5. Evaluating the interaction between liquidity, solvency, and financial performance in influencing stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the period 2020-2024.

LITERATURE REVIEW

Liquidity

Liquidity ratio is an important indicator in financial management that measures a company's ability to meet its short-term obligations, including current ratio, quick ratio, and cash ratio, which are essential for assessing the financial health and smoothness of a company's operations (Dithisari & Hartika, 2024; Ertuğrul & Çoşkun, 2021) . The current ratio, which is ideally 2:1, indicates that current assets must be twice as much as current liabilities to effectively cover short-term liabilities, reflecting financial stability and operational efficiency, while a low ratio signals liquidity risk for investors and creditors. (Dithisari & Hartika, 2024; Nurkholis & Daurrohmah, 2024; Rameshbhai, 2023) . The quick ratio, which excludes inventory from current assets because inventory is not always easily converted to cash, provides a more stringent and

relevant measure of liquidity for companies with large inventories, where a high ratio indicates strong financial management and a low ratio indicates potential difficulty meeting immediate obligations (Listanti et al., 2024) . In addition to being an indicator of financial health, the liquidity ratio also plays an important role in investment decision making, as it contributes significantly to understanding financial performance and influences investor confidence in management and the company's market value (Sarah & Athanase, 2023; Yua & Yua, 2020) .

Solvency

Solvency in financial management is a crucial concept that describes an organization's ability to meet its long-term obligations, which is usually measured through various financial ratios that assess economic health on an ongoing basis. The solvency ratio, which compares total assets to total liabilities, is a primary tool with a benchmark of 2:1 as an indicator of financial resilience (Saputri et al., 2023) . This analysis is important for directing management decisions in avoiding financial distress and bankruptcy (Gelashvili et al., 2024) . Organizations use a combination of liquidity, solvency, and profitability ratios, including the total debt to equity ratio, to assess overall fiscal stability (Hamsyah et al., 2023) . This assessment is relevant in various sectors such as local governments (Onyango-Delewa & Nkote, 2021) , SMEs (Sabău-Popa et al., 2020) , and industries that are vulnerable to economic downturns such as restaurants (Gomes et al., 2023) . Continuous monitoring of these ratios enhances the predictive ability of operational stability (Maximillian & Septina, 2022) , while solvency analysis during crises such as the COVID-19 pandemic reveals the impact of external factors on business resilience (Gomes et al., 2023) . Maintaining a high level of solvency is essential for survival and competitive advantage in volatile markets (Gelashvili et al., 2024).

Financial Performance

Definition and Concept of Financial Performance Financial performance is a measure of a company's effectiveness in managing financial resources to generate profits and added value for shareholders (Damodaran, 2020) . Financial performance reflects the health and success of a company's operations. According to agency theory, financial performance is the main indicator for investors to assess company management and future prospects (Jensen & Meckling, 2012) . Financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Profit Margin provide an overview of a company's profitability and efficiency (Higgins, 2018). In the context of this study, financial performance acts as a mediating variable.

Stock Price

Stock prices in economics are often viewed as the equilibrium point where the number of shares demanded by buyers equals the number supplied by sellers. This relationship is influenced by internal factors such as company performance as reflected in earnings and dividend reports, as well as external macroeconomic factors such as interest rates, inflation, and broader market conditions (MH Lee, 2023; Salsabila et al., 2024) . Stock price volatility, defined as the rate of change in stock prices for a given rate of return, plays an important role in investment decision making and risk assessment. Higher volatility indicates greater uncertainty, thus influencing investor

expectations and actions (Salsabila et al., 2024; Wibowo et al., 2022) .

Market price efficiency is based on the Efficient Market Hypothesis (EMH), which states that stock prices reflect all available information. This theory argues that it is impossible to consistently earn higher returns than the market average with risk adjustment, because the market is efficient in absorbing and processing information (Wibowo et al., 2022) . However, this theory has been challenged by several studies that show anomalies where stock prices deviate from what they should be based on available information, indicating that stock price movements are often unpredictable and influenced by external information flows (C.-W. Lee et al., 2022; Oshima, 2020)

Hypothesis

1. **H1:** Liquidity has a positive and significant effect on stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.
2. **H2:** Solvency has a positive and significant effect on stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.
3. **H3:** Liquidity has a positive and significant effect on financial performance in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.
4. **H4:** Solvency has a positive and significant effect on financial performance in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.
5. **H5:** Financial performance has a positive and significant effect on stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.
6. **H6:** Financial performance mediates the relationship between liquidity and stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.
7. **H7:** Financial performance mediates the relationship between solvency and stock prices in chemical sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period.

RESEARCH METHODOLOGY

Type of Research (Research Design)

This study uses a quantitative type with a causal-comparative approach and mediation analysis to test the causal relationship between liquidity, solvency, financial performance, and stock price variables. The data used are secondary and analyzed empirically using multivariate statistical methods, especially path analysis and multiple regression.

Population and Sample

Population: All chemical sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2024.

Sample: Samples were taken using purposive sampling technique with the following criteria:

a. Chemical sector companies actively listed on the IDX during the research period.
b. Companies that have complete financial reports available for the period 2020-2024.
c. Companies that did not experience any delisting or major restructuring during the period

Table 1: List of Chemical Companies that are Research Objects

1.	PT Chandra Asri Petrochemical (TPIA)
2.	PT Panca Budi Idaman (PCBI)
3.	PT Lotte Chemical Titan (FPNI)
4.	PT Indorama Synthetics (SYN)
5.	PT Tri Polyta Indonesia (TPIA)
6.	PT Synthos Indonesia (SYN)
7.	PT Tunas Baru Lampung (TBLA)
8.	PT Asahimas Chemical (ACST)
9.	PT Inti Bangun Sejahtera (IBST)
10.	PT Kimia Farma (KAEF)

Source: BEI 2025

Data collection technique

The data used in this study is secondary data obtained from:

a. The company's annual financial report is officially published on the IDX website and related companies.

b. Stock price and stock return data downloaded from the IDX database and trusted financial data sources such as Bloomberg, Reuters, or Yahoo Finance.

Data Analysis Methods

In this study, the analysis tool used is SmartPLS because of its superior ability to handle complex structural models with latent variables, especially when the data does not meet classical assumptions such as normality and limited sample size. With the Partial Least Squares (PLS) algorithm, SmartPLS is able to estimate causal relationships efficiently and robustly, even on data with non-normal distributions. In addition, SmartPLS provides a bootstrapping feature to test statistical significance accurately, as well as interactive visualizations that facilitate interpretation of the results.

RESULTS AND DISCUSSION

Outer Model Testing

Based on the results of the outer model test using SmartPLS, the correlation values between the research variable statement items were obtained as follows:

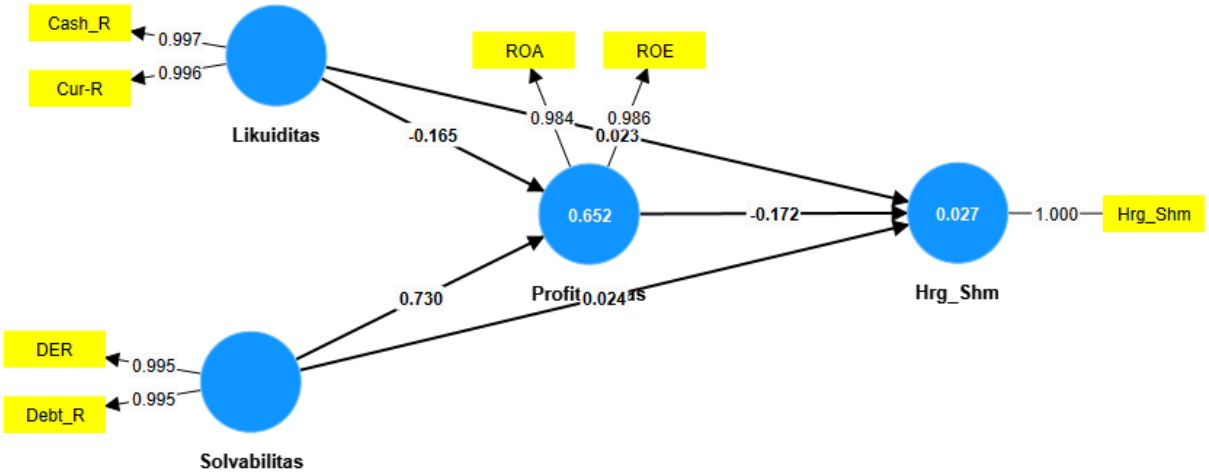

Figure 1: Outer Model Test Results (SEM-PLS 4.0)

Based on the image above, it can be seen that the outer loading value of all indicators is greater than 0.7 so it is said to be valid (Hair & Alamer, 2022). There are three criteria in using data analysis techniques with SmartPLS to assess the outer model, namely Convergent Validity, Discriminant Validity and Composite Reliability.

a. Convergent validity

Individual reflective indicators are considered to have good convergent validity if they have a correlation of more than 0.70 with the construct being measured.

Table 2. *Outer Loading Results of Convergent Validity Test*

Variables	Outer loading	Information
Cash_R <- Liquidity	0.997	Valid
Cur-R <- Liquidity	0.996	Valid
DER <- Solvency	0.995	Valid
Debt_R <- Solvency	0.995	Valid
Hrg_Shm <- Hrg_Shm	1,000	Valid
ROA <- Profitability	0.984	Valid
ROE <- Profitability	0.986	Valid

Source: SEM-PLS.4 Data (2025)

Based on table 2, it can be seen that each indicator in each variable in this study meets the *convergent validity criteria* with an other loading value > 0.7 so that the data can be said to be valid and meets the *convergent validity criteria.*

Average Variance Extracted (AVE)

The output of the Average Variance Extracted (AVE) results can be seen in the table below. A variable is said to be valid if it has an AVE value > 0.5

Table 3: Output Average Variance Extracted (AVE)

Variables	Average variance extracted (AVE)	Information
Liquidity	0.994	Valid
Profitability	0.97	Valid
Solvency	0.99	Valid

Source: SEM-PLS.4 Data (2025)

The AVE value of each of the above variables is all greater than ≥ 0.5, meaning that the above variables are categorized as valid.

b. Discriminant Validity

Discriminant validity is conducted to ensure that each construct of the latent variable is clearly different from the construct of other latent variables. A model is said to have good discriminant validity if each indicator in a latent variable shows the highest loading value on the latent variable compared to the loading value on other latent variables.

In other words, discriminant validity measures the extent to which different constructs in a measurement model can be clearly distinguished from each other.

Discriminant Validity that will be evaluated, namely cross loading, Fornell-Larcker and Latent variable correlation

1. Cross Loading

The statement indicator is declared valid if the relationship between the indicator statement and its construct/variable (cross loading value) is higher compared to its relationship with other constructs. The following are the results of data processing using SmartPLS version 4 with cross loading as in the table below:

Table 4: Cross Loading Output

Variables	Hrg_Shm	Liquidity	Profitability	Solvency	Information
Cash_R	0.126	0.997	-0.470	-0.389	Valid
Cur-R	0.048	0.996	-0.412	-0.375	Valid
DER	-0.090	-0.337	0.755	0.995	Valid
Debt_R	-0.148	-0.422	0.821	0.995	Valid
Hrg_Shm	1,000	0.090	-0.163	-0.121	Valid
ROA	-0.157	-0.407	0.984	0.770	Valid
ROE	-0.164	-0.467	0.986	0.792	Valid

Source: SEM-PLS.4 Data (2025)

The cross loading value for the above variables has a correlation value between the indicator (instrument) and its construct (variable) > the indicator (instrument) on the other construct (variable).

2. Fornell Larcker

Fornell-Larcker output

Variables	Hrg_Shm	Liquidity	Profitability	Solvency
Hrg_Shm	1,000			
Liquidity	0.090	0.997		
Profitability	-0.163	-0.445	0.985	
Solvency	-0.121	-0.383	0.793	0.995

Source: SEM-PLS.4 Data (2025)

Since the correlation between other variables is much smaller than 1, the discriminant validity is generally fulfilled.

c. Construct Reliability

Construct Reliability can be analyzed using one of two methods, namely by analyzing the Cronbach's Alpha value and composite reliability. Both of these methods are parts used to test the reliability value of indicators on a variable.

1) Cronbach's Alpha

Cronbach's Alpha is an important indicator in testing the reliability of variables in the PLS-SEM model. A high Cronbach's Alpha value indicates that the construct/variable is measured well and consistently for measurement validity in PLS analysis. Conversely, if the Cronbach's Alpha

value is low, it can indicate that the statement indicators used are not reliable enough and need to be improved or replaced.

Table 7: Cronbach's Alpha Value Results

Variables	Cronbach's alpha	Information
Liquidity	0.994	Reliable
Profitability	0.969	Reliable
Solvency	0.99	Reliable

Source: SEM-PLS.4 Data (2025)

The table above shows that the Cronbach's Alpha values for the constructs/variables listed in the table above are all ≥ 0.70 so that all variables have good reliability.

2) Composite reliability

Composite reliability is used to ensure internal consistency and indicators that form latent variables. In Smart PLS Composite reliability is the main tool for measuring reliability and CR value ≥ 0.70 meets the standards for research.

Table 8: Discriminant Validity Results

Variables	Composite reliability (rho_c)	Information
Liquidity	0.997	Reliable
Profitability	0.985	Reliable
Solvency	0.995	Reliable

Source: SEM-PLS.4 Data (2025)

The results of the analysis show that the Composite Reliability value for the construct of all the variables above is ≥ 0.70 so that all the variables above have good reliability.

Inner Model Testing

R Square (R^2)

In the context of PLS-SEM, the R Square value serves to measure how effectively the independent latent variables in the model can explain the variation in the dependent latent variable. This R^2 value reflects the overall predictive power of the model used. The range of R^2 values is between 0 and 1, where higher values indicate a stronger model ability to explain the variance of the dependent variable. The following are the R-Square values obtained from this analysis:

Table 9: R Square Results

Variables	R-square	R-square adjusted
Hrg_Shm	0.027	-0.036
Profitability	0.652	0.637

Source: *Output* data processed with SmartPLS 4.0, 2025

The analysis revealed that the Stock Price variable (Hrg_Shm) has a coefficient of determination (R-square) of 0.027 with a negative adjusted R-square value of -0.036. This finding indicates that the Stock Price variable only explains about 2.7% of the variability in the dependent variable, and the negative adjusted R-square value indicates that the model using this variable is inadequate in explaining the entire variation in the data, so that the model is most likely not statistically significant. In contrast, the Profitability variable shows an R-square value of 0.652 and an adjusted R-square value of 0.637, indicating its ability to explain about 65.2% of the variation in the dependent variable. This significant and positive adjusted R-square value

confirms that the model with the Profitability variable provides a better, more stable, and more relevant explanation of the existing data variation.

Path coefficient test results

The results of the path coefficient test and hypothesis test were obtained through the use of SmartPLS software version 4.0, with a bootstrapping approach as an evaluation method. This method allows the assessment of the relationship between the influence of independent variables on the dependent variable. Acceptance of a hypothesis is based on significant criteria where the P-value must be less than 0.05 and the t-statistic value must be greater than the critical value of the t-table of 1.96. The following are the results of the path coefficient test and hypothesis test that have been carried out.

Path Coefficient or direct effect results

Table 10 Results of Path Coefficient or Direct Effect

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Liquidity -> Hrg_Shm	0.023	0.027	0.080	0.289	0.386
Liquidity -> Profitability	-0.165	-0.160	0.073	2,268	0.012
Profitability -> Hrg_Shm	-0.172	-0.171	0.143	1,200	0.115
Solvency -> Hrg_Shm	0.024	0.034	0.103	0.234	0.408
Solvency -> Profitability	0.730	0.739	0.071	10,315	0,000

Source: *Output* data processed with SmartPLS 4.0, 2025

Specific Indirect Effect Results or Indirect Effects

Table 11 Specific Indirect Effect or Indirect Effect

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Liquidity -> Profitability -> Hrg_Shm	0.028	0.027	0.028	0.994	0.160
Solvency -> Profitability -> Hrg_Shm	-0.125	-0.127	0.110	1,140	0.127

Source: *Output* data processed with SmartPLS 4.0, 2025

H1: Liquidity has a positive and significant effect on stock prices.

Based on the analysis results, the coefficient value of the relationship between Liquidity and Stock Price is 0.023 with a t-statistic value of 0.289 and a p-value of 0.386. A p-value> 0.05 indicates that the effect of Liquidity on Stock Price is not statistically significant. Therefore, H1 is rejected; Liquidity has no significant effect on Stock Price in chemical sector companies during the 2020-2024 period. In other words, the data does not provide sufficient evidence to state that an increase or decrease in the company's Liquidity has a significant direct effect on the movement of stock prices of chemical sector companies listed on the Indonesia Stock Exchange during the 2020 to 2024 period.

This can be interpreted in a real context that the Liquidity factor, although an

important aspect of a company's financial condition, may not be directly reflected in the stock market's assessment of these chemical companies during the period under study. Another possibility is that stock prices are more influenced by other external or internal factors that are not directly related to Liquidity, or the effect of Liquidity on stock prices may pass through complex pathways that are not directly detected in this model.

H2: Solvency has a positive and significant effect on stock prices.

The coefficient of the relationship between Solvency and Stock Price is 0.024 with a t statistic of 0.234 and a p-value of 0.408. The p-value> 0.05 indicates that the effect of Solvency on Stock Price is also not significant. Thus, H2 is rejected; Solvency does not have a significant effect on Stock Price. Thus, the results of this analysis reject the H2 hypothesis, which states that Solvency has a positive and significant effect on Stock Price.

In a practical context, these results indicate that the ability of companies in the chemical sector to meet long-term obligations (as represented by Solvency) is not a dominant factor influencing market perceptions of the company's stock value during the period 2020 to 2024. This could be due to a number of factors, including that the market may be more focused on other variables such as growth prospects, macroeconomic conditions, or industry dynamics than the health of the company's capital structure.

Furthermore, these results also show that although solvency is an important indicator of long-term financial stability, the stock market does not directly interpret it as a strong signal for determining stock prices in the chemical sector. This emphasizes the complexity of the stock pricing mechanism involving various variables and other external factors beyond the company's solvency ratio.

H3: Liquidity has a positive and significant effect on financial performance (Profitability)

Statistical analysis shows that the path coefficient between Liquidity to Profitability is -0.165 with a t-statistic value of 2.268 and a p-value of 0.012. From these results, a p-value smaller than 0.05 indicates that the effect of Liquidity on Profitability is statistically significant at a 95% confidence level. However, the negative coefficient found indicates that the relationship is negative, namely an increase in Liquidity is associated with a decrease in financial performance in terms of Profitability.

This finding implies that although Liquidity plays a significant role in influencing Profitability, the direction of its influence is not in accordance with the initial hypothesis that assumes a positive influence. In the context of chemical sector companies, this can be interpreted that the tendency of companies to maintain high liquidity may result in less than optimal use of resources, thereby suppressing profits. For example, too many unproductive current assets or overstock inventory can reduce the efficiency and profits of the company.

In addition, these results emphasize the importance of balanced liquidity management so as not to sacrifice profitability. These findings invite researchers and practitioners to view the dynamics between liquidity and financial performance with a more critical perspective, considering how liquid asset management policies can indirectly affect financial results. Further research can focus on the specific operational conditions in the chemical sector that cause this negative correlation and other variables that may moderate or mediate the relationship.

H4: Solvency has a positive and significant effect on financial performance (Profitability)

Statistical analysis shows that the path coefficient between Solvency to Profitability is 0.730 with a very high t-statistic value of 10.315, and a p-value of 0.000. The p-value which is far below the significance limit of 0.05 confirms that the effect of Solvency on Profitability is statistically significant at the 95% confidence level. This large positive coefficient indicates that the increase in Solvency significantly contributes to the increase in financial performance in terms of the company's Profitability.

These results show that the company's ability to meet its long-term obligations (reflected in the solvency ratio) is an important determinant of the financial success of the companies in the observed chemical sector. A high level of solvency reflects financial stability and a low probability of bankruptcy risk, thereby increasing investor confidence and the effectiveness of capital use which positively contributes to the company's profits.

This finding also provides a view that corporate management should focus more on managing a healthy capital structure to increase profitability. In a broader context, this can be used as a basis for financial strategies and investment decisions, which emphasize the importance of maintaining an optimal solvency ratio to maximize corporate value and financial performance sustainably.

H5: Financial performance has a positive and significant effect on stock prices.

Statistical analysis shows that the path coefficient between Profitability to Stock Price is -0.172, with a t-statistic value of 1.200 and a p-value of 0.115. A p-value greater than 0.05 indicates that the effect of Profitability on Stock Price is not statistically significant at the 95% confidence level. Thus, hypothesis H5, which states that financial performance has a positive and significant effect on stock price, is not supported by data in the context of the chemical sector companies studied.

This finding implies that although in financial theory financial performance (profitability) is often considered as one of the main factors influencing stock prices, in reality in the chemical sector for the period 2020-2024 this does not apply significantly. It is possible that the stock market in this sector is influenced by factors other than profitability, such as macroeconomic conditions, investor sentiment, industry factors, or future expectations that are not directly reflected in current financial performance measures.

The negative coefficient that appears also shows that the direction of influence is not only insignificant, but tends to be opposite to the initial hypothesis, although not strong enough to state a meaningful negative relationship. This provides an understanding that the stock market in this sector may assess financial performance with a different approach or consider additional variables not included in this analysis.

H6 & H7: Financial performance mediates the relationship between Liquidity and Stock Price, and Solvency and Stock Price.

Since the direct effect of Profitability on Stock Price (mediation) is not significant (p=0.115), mediation through Profitability is less strong. Therefore, hypotheses H6 and H7 are not supported. The analysis of the mediation results shows that the direct effect of Profitability on Stock Price is not statistically significant, with a p-value of 0.115 which is greater than the significance limit of 0.05. This condition

means that Profitability does not substantially mediate the effect between Liquidity and Stock Price or between Solvency and Stock Price. In other words, the financial performance factor measured through Profitability does not act as an effective connecting path that can strengthen or explain the relationship between financial variables (Liquidity and Solvency) and market variables, namely Stock Price.

This indicates that although Liquidity and Solvency may affect financial performance, and there is an assumption that financial performance will affect stock prices, in reality in the context of the chemical sector for the 2020-2024 period, the mediation channel is less strong or does not occur at all.

This finding opens up the interpretation that the relationship between a company's financial condition and stock prices is more complex and may be influenced by other factors beyond financial performance represented by Profitability. External factors such as market volatility, investor expectations, industry risk, and macroeconomic dynamics may play a greater role in determining stock prices, so that the indirect influence through Profitability becomes less significant.

In addition, these results indicate the importance of conducting a more comprehensive analysis approach by including other variables that can be mediators or moderators in the relationship between corporate financial conditions and stock market value. Further research can be directed to explore these factors to provide a deeper understanding of the mechanism of influence in the chemical sector.

CONCLUSION

Findings from analysis This show that profitability No play a role as a significant mediator in mediate influence liquidity And solvency to price shares, although there is connection direct between liquidity And solvency with profitability. This is indicates that mechanism influence variables the to price share possibility involving factor other or more paths complex. Research This emphasize importance further model development comprehensive with expand coverage variables, including enter variable external like condition market And characteristics more companies wide. Approach more methodological deep, like use of longitudinal data and method analysis causal continued, expected can give better understanding Good about dynamics interaction variable finances under study. By Because that, it is suggested that research furthermore integrate variable more external wide, such as condition capital market, risk systemic, and factor macroeconomics, use catch complexity interaction between internal variables and external influences mark market shares. Besides that, the implementation design longitudinal research and method analysis alternative like analysis track continued, equation model structural based on time, or technique learning machine can increase validity And strength inferential results study.

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