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Effect of Investment Decision and Tax Management on Stock Liquidity

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Abstract

The purpose of this study investigate effect of investment decisions, tax management on stock liquidity and investigate the effect of investment decisions, tax management on stock liquidity which moderated by liquidity. Novelty in the study is on the measurement of tax management variables, the contribution of this study is to introduce a new measurement of tax management and to provide information about investor responses and prospective investors in the stock market on tax management by companies in the context of Indonesia. The population of this study is manufacturing companies listed on the Indonesia Stock Exchange, determination of study samples using purposive sampling method with the criteria listed before 2015, complete data and non-delisting so as to obtain 127 manufacturing companies with 5 years observation year (2014-2018) and obtained 635 company years data, multiple regression analysis and moderate regression analysis (MRA) were used in this study. Research findings: 1) Investment Decisions, Tax Management simultaneously influences and significant affects Stock Liquidity. 2) Investment Decisions have an effect and significant on Stock Liquidity. 3) Tax Management has an effect and is not significant on Stock Liquidity. 4) The effect of Investment Decisions on Stock Liquidity is not moderated by liquidity. 5) The effect of Tax Management on Stock Liquidity is not moderated by liquidity.

Keywords: Stock Liquidity; Investment Decisions; Tax Management; Liquidity; Indonesia

JEL Classifications: G30; H26; G41

Introduction

A stock increasingly or not often transacted can be seen from the frequency of stock trading and stock trading volume and has often been studied (R., 2002; Song, Tan & Wu, 2005; Munfaqiroh, 2006; Cartea & Penalva, 2012; Morgan, 2013; Rossi, Deis, Roche & Przywara, 2015; Al-Jaifi, Al-Rassas & Al-Qadasi, 2017). A phenomenon that has occurred in the stock market in Indonesia, namely a business entity provides a positive signal or positive sentiment such as a business entity able to record profits, XL Axiata was able to record a net profit of Rp224.74 billion in the first half of 2016, reversing the net loss of Rp850.88 billion in the same period 2015. The stock price of the EXCL-coded company actually dropped on the stock exchange by 9.89 percent to Rp3,370 per share from Rp3,740 (Pasopati, 2016), The share price of the subsidiary PT PP Tbk (PTPP) fell 54.4% percent to Rp167 per share despite posting a net profit of Rp484 billion, a drastic increase from the previous year which was only Rp388 billion (Rahmayanti, 2018), business entity budgeted capital expenditure but its share price declined and not much hunted by investors to transact, the shares of PT Rimo International Lestari Tbk (RIMO) have again been suspended by the authorities of the Indonesia Stock Exchange (IDX) due to improper moves, RIMO's share price fell to the level of Rp192 per share from the beginning of November the stock price was 630 while the stock price between March 2017 and October 2017 was worth 650, The company noted that as of September this year, it had made a profit of Rp 100 billion and budgeted Rp 200-300 billion for capital expenditure next year (Hamdi & Cahyani, 2017; Hamdani, 2017).

Another phenomenon that has occurred in the stock market in Indonesia, namely a business entity gives a negative signal or negative sentiment such as data on business performance information that is unclear, business entity experienced a decrease in profit, business entity suffered a loss but the share price of the business entity increased and many investors hunt for transactions, PT Elnusa Tbk recorded a decline in net profit growth. At the end of 2017 the issuer with the ELSA stock code recorded a net profit of Rp 247.14 billion, down 20.51% compared to the same period in 2016, The announcement of this performance was appreciated by market participants, ELSA's share price increased by 10.22% to IDR 496 / share (Frandeya, 2018). The above phenomenon contradicts the results of the study Wesley S. Chan (2001) stated stocks that have bad news have a negative deviation and the deviation decreases when the stock has good news.

Successful companies grow by investing their profits back into the business, assets generated from profitable business operations (Harrison, Jr., et.al., 2013:599), The company invests in the liabilities and equity of other companies to obtain return on the excess cash (Albrecht, et.al., 2011:554). Chan, Gau & Wang (1995) states the stock market appreciates companies that realize long-term capital investments. Previous research related to investment in the form of company assets focus on asset turnover, return of assets (S. Vijayalakshmi, et.al., 2018; Mwangi, 2018; Herawati, Putra, 2018; Warrad and Al Omari, 2015; Etebari, 2018). In this study, investment is seen from the comparison of investment realization in the current period compared to the realization of past period investment with evidence in Indonesia.

The tax ratio is a measure of the performance of state income from the tax sector, the higher the tax ratio, the higher the state revenue from taxes. Indonesian tax ratio for 2015 12,3% whereas in 2017 it decreased to 11% and Indonesia's 2020 tax ratio target is 14%, as a comparison that the developed country tax ratio is 24% and other middle-income countries 16 - 18% (www.ddtc.com). Previous research related to corporate taxation focused on the amount of tax paid to the state treasury (Mills, 1996; Desai and Dharmapala, 2006; Elshani and Ahmeti, 2014; Mulyadi, 2016; Zhang, et.al., 2016). In this study tax management is seen from the side of the comparison of current year tax compared to current year income with evidence in Indonesia. Delaying dividend payments will greatly help companies to grow and develop, dividends that are not distributed will make the level of company liquidity well guaranteed and able to finance the company's operations in order to achieve the company objectives that have been set, based on previous research it was found that liquidity was sensitive, obstacles to investment by corporate (Hoshi & Scharfstein, 1991; Audretsch & Elston, 2000; Munoz, 2013; Jafari & Beerhouse, 2015; Ogawa, 2015). Therefore, corporate liquidity is a strength and/or weakness for management to make investment decisions and pay obligation including taxes and provide a good signal to the stock market.

The purpose of this study investigate effect of investment decisions, tax management on stock liquidity and investigate liquidity as a moderating variable on the effect of investment decisions, tax management on stock liquidity. The contribution of this study is 1) theoretical contributions that fill a narrow gap in the field of stock liquidity by paying attention to investment and tax management with evidence in Indonesia. 2) Another theoretical contribution is to introduce another measurement method of tax management with evidence in Indonesia that will be delivered in variable measurements, frequently used measurement related to tax planning is Effective Tax Ratio/ETR, Cash Effective Tax Ratio/CETR and Book Tax Differences/BTD. 3)

practical contribution that is to provide information about investor responses and prospective investors in the stock market on tax management by companies in the context of Indonesia. The measurement of tax management variables by comparing the taxes paid with sales / income is the novelty of this study as far as the author's observations. This study consists of Introduction, Literature Review, Hypothesis Development, Research Methodology, Findings, Discussions & Conclusions.

Literature Review

The grand theory used in this study is the Signaling Theory, Signal theory was first delivered by Akerlof in 1970 and subsequently signal theory was developed by Stephen A. Ross in 1977, the core of this signal theory is the existence of information (generally good information) submitted to external parties in order to convince these external parties. Another grand theory used in this study is Agency Theory (Jensen & Meckling, 1976), agency theory confirms the existence of information asymmetry that occurs between company owners (including investors on the stock market) with company management, company management will try to inform good data to the owner of the company while other than good information is not published.

Shares are proof of ownership of a company that has a limited liability company (PT, terms in Indonesia) and stated in the form of a certificate, proof of ownership of a corporate based on the deposit of capital into the corporate. Stock liquidity is the term given to shares that are easily transacted so that produce cash and cash equivalents or other forms of assets, a stock is said to be liquid can be seen from the many investors' interest in transacting these shares which is confirmed by the frequency of stock trading, stock trading volume.

The frequency and volume of stock trading on the stock market in Indonesia is a benchmark for knowing the amount of shares traded in one day or one period, the frequency and volume of trading of these shares can also be used to measure a share of interest or not interested by investors by adopting the theory of demand and supply. The higher someone's interest in a product, the product will often be purchased and sold. Therefore, the higher the frequency and volume of trading in shares of a stock, the more interested the stock will be, as the following expert opinion says, stock trading frequency is the number of transactions (buying and selling) that occur on a stock within a certain time, so that the frequency of stock trading transactions can inform the stock that investors are interested in or not (Harsono, 2003:179/ www.ekonomi.kabo.biz.com). Company investment can be seen in the balance sheet issued by a company, in the balance sheet there are two parts, namely the assets and liabilities plus equity. In the asset section, the investment components of the company are actively used to generate profits and ultimately become cash and cash equivalents, while in the liabilities and equity section are passive components of investment or investment companies that finance the investment of active companies. The components presented in this study are active company investments, namely current assets and non-current assets or commonly called fixed assets like the opinion of the following non-current are long term or permanent assets (Warrent, et.al., 2014:174). Current assets are assets of a business entity that are most quickly converted into cash and cash equivalents by the company manager, Current assets can also be said as gross working capital used by companies to create profits in the company's operations. Current assets are parts and / or elements of the balance sheet, elements of current assets can vary for each company, these elements are cash and cash equivalents, short-term investments, accounts receivable, inventory, prepaid expenses (Albrecht, et.al., 2011:554, Needles, et.al., 2014:91, Weygandt, et.al., 2012:388, Wild, 2011:292, Williams, et.al., 2012:340). On the other side, Intangible assets are also considered long term assets (Slater, 2013:592).

Tax is a compulsory levy that is regularly collected and protected by regulations (eg Act) by holders of power authority in one area within a certain period of time and its use is controlled by the competent authorities without making accountability directly to the tax giver (Pandiangan, 2014: 10), Tax is compulsory contribution to the country owed by an individual or organization that is compelling under the Act, with no direct compensation and used for the needs of the country for the greatest prosperity of the people (Provisions Act and General Procedures for Taxation). Hope of the Government that all taxpayers are no exception, business entities can contribute through payment of taxes which tend to increase from year to year, The company's ability to gain trust from the Government can reduce conflicts of interest with the Government (or commonly referred to as vertical conflict) indirectly inform investors and potential investors that the corporate has good prospects in the future in achieving its stated goals.

The tax management referred to in this study is fulfillment of tax obligations by taxpayers without violating applicable tax rules, tax management can be done aggressively or not aggressively by company management. Non-aggressive tax management can be seen from the realization of corporate tax payments

from year to year, from month to month, the realization of the company's tax payments did not have a significant difference. The difference (decrease or increase) in the payment of significant taxes can raise suspicion or question marks from the tax authorities representing the Government in the field of taxation, to answer this suspicion, in general, the tax authorities will clarify data or bookkeeping checks made by the company.

Assets to be converted into cash and cash equivalents come to the attention of the owners and management of the company, this is due to the company needs cash and cash equivalents to run the corporate operations and / or investment corporate. The corporation finances its operations sourced from debt and equity (Warrent, et.al., 2014: 626). Liquidity is needed to grow the company while in the market competition. Employees and sales can be a measure of corporate growth (Amoroso, Coad & Grassano, 2018), the ability to generate revenue, add value, and expand in terms of volume of business is the definition of growth (Gupta, Guha, Krishnaswami, 2013). Jensen (1986) states that if net profit that has turned into cash and cash equivalents and not distributed, will be reinvested by the manager.

Hypothesis Development

Investment decisions are used to determine the assets growth, asset allocation, and financing of corporate assets which is used to create products needed by consumers, Tax management is the company's strategy in fulfilling tax obligations to the state without violating taxation rules and paying taxes on target. Investment decisions, tax management are instruments needed to minimize uncertainty in the stock market / conservatism principle (Murwaningsari and Rachmawati, 2017; D'Augusta 2018) and other side, conservatism principle is linked to investment (Watts, 2003; Ball and Shivakumar, 2005). Investment decisions, tax management are part of the information conveyed by corporate management to investors, including to the stock market and investors will assess the information to determine whether the information is bad news or good news in making business decisions by investors. So, the hypothesis proposed is as follows: H1 : Investment Decisions, Tax Management simultaneously affect on Stock Liquidity.

Companies that are able to replace and / or add company assets and use them effectively and efficiently will be a signal for investors to own the company's shares, the high interest of investors in the shares of a company will increase the frequency and volume of stock trading on the stock market. Mcconnell & Muscarella, (1985); Chan, et.al., (1990); Chan, et.al., (1995) states that the stock market generally appreciates companies that make long-term capital investments. On the other hand, in the developing world market the level of investment protection is relatively high because investors do not have enough information in making investment decisions when companies in member countries of developing countries like Indonesia experience a decline in assets (usually information on growth or decline in fixed assets is published to the general public because it has a relatively high and long value and age) then investors try to sell their shares in the stock market to reduce losses due to negative company performance. Anderson and Garcia (2006); Cooper, et.al., (2008); Gonenc and Ursu (2018) state that the growth of assets with shares has a negative relationship, while . So, the hypothesis proposed is as follows: H2a: Investment Decisions (in terms of Current Asset Growth) have a positive effect and significant on Stock Liquidity. H2b: Investment Decisions (in terms of Fixed Asset Growth) have a effect negative and significant on Stock Liquidity.

The low tax ratio in Indonesia compared to other countries is a homework for the Government in increasing state revenues from the tax sector. Companies in Indonesia try to conduct tax management in the hope of minimizing tax payments to the state treasury for various reasons so that the company has excess cash and cash equivalents and this is good news on the stock market, on the other hand Schwert and Seguin (1993), Kupiec (1996), Hvozdyk and Rustanov (2016) stated that tax announcements have a positive effect on market liquidity, while Stiglitz (1989) and Summers and Summers (1989) stated there was no relationship between tax with market liquidity. So, the hypothesis proposed is as follows: H3: Tax Management has a positive effect and not significant on Stock Liquidity

One of the company's strategies to attract investors is to use assets effectively, increase investment, make acquisitions, on the other side this strategy also supports the going concern principle. Corporations finance their operations sourced from debt and equity (Warrent, et.al., 2014: 626). So, corporate that have good liquidity stability have a high chance to invest now or in the future. That net profit that has been changed to net cash flow is not distributed, it will be reinvested (Jensen, 1986; Yeo, 2018), while Modigliani and Miller (1958), Jeon and Nichihara (2015) stated that investment is financed by debt or capital. So, the hypothesis proposed is as follows: H4: The effect of Investment Decisions on Stock Liquidity moderated by Liquidity.

The Indonesian tax ratio is relatively low compared to some countries in Southeast Asia or compared to developed countries, The low Indonesian tax ratio is allegedly due to the low desire of taxpayers to pay taxes so that with the efforts of taxpayers to do tax management can minimize tax payments. One of the reasons for taxpayers to conduct tax management is the company's low liquidity to be used in company operations including paying taxes, Liquidity includes corporate working capital (Beaver, 1966; Altman, 1968; Altman and Narayan, 1997), Apak, et.al. (2016) states that liquidity has an impact on the provision of credit by banks to companies. Therefore, the hypothesis set is as follows: H5: The effect of Tax Management on Stock Liquidity moderated by Liquidity.

Research Methodology

The population of this study is manufacturing companies listed on the Indonesia Stock Exchange, determination of study samples using a purposive sampling method with criteria listed before 2015, complete data and not delisting so that 127 manufacturing companies obtained with 5 years observation year (2014-2018) and data obtained by 635 firm years, multiple regression analysis and moderate regression analysis (MRA) were used in this study.

Stock liquidity (symbolized as SL) can be measured through the number of shares trading frequency and stock trading volume per month or per year (Harsono, 2003: 179). The frequency of stock trading in the context of Indonesia is the amount of activity of transacting a stock in one day, while the volume of stock trading in the context of Indonesia is the number of shares traded in one day.

Investment Decisions are realized investments in the increase of assets contained in the balance sheet (already recognized based on applicable financial accounting standards). Investment decisions are measured by comparing assets (current assets and / or fixed assets) currently with past assets (Harrison, Jr., et.al., 2013; Albrecht, et. al., 2011), with the following formula :

$$GCA = \frac{\text{Current Asset } t - \text{Current Asset } t-1}{\text{Current Asset } t-1}$$

$$GFA = \frac{\text{Noncurrent Asset } t - \text{Noncurrent Asset } t-1}{\text{Noncurrent Asset } t-1}$$

Tax management is the company's strategy in the field of taxation. Tax management is measured by comparing the tax for business entities in the current period with income for the current period and the formula submitted in this study is different from the formula effective tax ratio, cash effective tax ratio, book tax differences, with the following formula :

$$TAX = \frac{\text{Corporate Tax } t}{\text{Revenue } t}$$

Liquidity is the level of a company's ability to pay debts and simultaneously financed the company's operations. Liquidity is measured by comparing current assets with current liabilities (Jensen, 1986; Warrent, et.al., 2014), with the following formula :

$$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Findings

The description of each research variable can be seen in the descriptive statistics table as follows:

Table 1: Descriptive statistics

Variabel	N	Minimu m	Maximum	Mean	Std. Deviation
GCA	635	-.79	16.29	.3070	.87670
GFA	635	-.64	3.28	.2980	.45682
TAX	635	-.73	3.36	.0184	.14120
CR	635	.01	15.16	2.2001	1.94980
SF	635	0	2276	112.19	245.408
SV	635	0	88513	1332.28	5123.923
Valid (listwise)	N 635			8	

Source: Data processed (SPSS 20)

Where :

GCA : Growth Current Assets
GFA : Growth Fixed/Noncurrent Asset
TAX : Tax Management
CR : Current Ratio
SF : Stock Frequency
SV : Stock Volume

Based on the table above, known dependent variable is Stock Liquidity as measured by the Frequency of Stock Trading and Stock Trading Volume, Stock Trading Frequency has a minimum value of 0 and a maximum value of 2276, the average value is 112.19 with a standard deviation value of 245.408 while Stock Trading Volume has a minimum value of 0 and a maximum value of 88513 the average value of 1332.28 with a standard deviation value of 5123,923. Furthermore, known independent variables there are 2 namely Investment decisions are measured by the growth of current assets and the growth of fixed assets / non-current assets Tax Management, and it is known that there are 1 moderating variable, namely Liquidity. Investment decisions seen from the growth side of current assets have a minimum value of -0.79 and a maximum value of 16.29. The average value is 0.3070 with a standard deviation value of 0.87670, while Investment decisions seen from the growth side of fixed assets / non-current assets have a minimum value of -0.64 and a maximum value of 3.28. The average value is 0.2980 with a standard deviation value of 0.45682. Tax management has a minimum value of -0,73 and a maximum value of 3,36. The average value is 0,0184 with a standard deviation value of 0,14120. Liquidity has a minimum value of 0.01 and a maximum value of 15.16. The average value is 2,2001 with a standard deviation value of 1.94980. To find out the relationship and ability to explain the variable investment decisions and tax management, liquidity on stock liquidity can be seen in the following table:

Table 2: Table R, R Square, Adjusted R Square

Dependent Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
SF	.125a	.016	.009	244.264
SV	.200a	.040	.034	5036.699
Predictors: (Constant), CR, GCA, TAX, GFA				

Source: Data processed (SPSS 20)

Where :

GCA : Growth Current Assets
GFA : Growth Fixed/Noncurrent Asset
TAX : Tax Management
CR : Current Ratio
SF : Stock Frequency
SV : Stock Volume

Investment decisions and tax management are simultaneously related to stock liquidity as measured by the frequency of stock trading and stock trading volume, this is confirmed by the results of research that show the values of R = 0.125 and 0.200 (respectively). Investment decisions and tax management simultaneously can explain stock liquidity as measured by the frequency of stock trading and stock trading volume, this is confirmed by the results of research that show the value of R square = 0.016 and 0.040 (respectively) and

Adjusted R square = 0.009 and 0.034 (respectively) meaning that stock liquidity as measured by the frequency of stock trading and stock trading volume of 1.6% and 4% (respectively) can be explained investment decisions and tax management while 98.4% and 96% (respectively) are explained by variables others not examined in this study. To find out the effect of investment decisions and tax management simultaneously on stock liquidity can be seen in the table as follows:

Table 3: F Test Result

Dependent Variable		Sum of Squares	Df	Mean Square	F	Sig.	Acceptance of Hypothesis
SF	Regression	593687.003	4	148421.751	2.488	.042b*	Accepted (H1)
	Residual	37588964.316	630	59665.023			
	Total	38182651.320	634				
SV	Regression	663352350.944	4	165838087.736	6.537	.000b**	Accepted (H1)
	Residual	15982055120.671	630	25368341.461			
	Total	16645407471.615	634				

b. Predictors: (Constant), CR, GCA, TAX, GFA

Source: Data processed (SPSS 20)

Where :

GCA : Growth Current Assets

GFA : Growth Fixed/Noncurrent Asset

TAX : Tax Management

CR : Current Ratio

SF : Stock Frequency

SV : Stock Volume

*** <= 0.001; ** <= 0.050; * <= 0.10.

Investment decisions and tax management simultaneously influence and significantly affect stock liquidity as measured by the frequency of stock trading and the volume of stock trading this is confirmed by the results of research that show the value of Ftest = 2,488 and 6,537 (respectively) with value sig 0,042 dan 0,000 (respectively) < 0,050 which means that the suitability level of the research model that contains investment decision variables and tax management is suitable for the variable liquidity performance of the stock as measured by the frequency of stock trading and stock trading volume. Therefore, the predetermined research hypothesis 1 is accepted. To find out the effect of investment decisions, tax management, liquidity on stock liquidity can be seen in the table as follows:

Table 4: T Test Result

Dependent Variable	Independent Variable	Unstandardized Coefficients		t	Sig.	Acceptance of Hypothesis
		B	Std. Error			
SF	(Constant)	98.623	15.831	6.230	.000	
	GCA	30.927	11.913	2.596	.010**	Accepted (H2a)
	GFA	-44.403	22.886	-1.940	.053**	Accepted (H2b)
	TAX	37.259	68.742	.542	.588	Accepted (H3)
	CR	7.557	4.988	1.515	.130	
SV	(Constant)	739.200	326.440	2.264	.024	
	GCA	1171.011	245.654	4.767	.000***	Accepted (H2a)
	GFA	-775.742	471.897	-1.644	.101*	Accepted (H2b)
	TAX	327.811	1417.451	.231	.817	Accepted (H3)
	CR	208.531	102.852	2.027	.043**	

Source: Data processed (SPSS 20)

Where :

GCA : Growth Current Assets

GFA : Growth Fixed/Noncurrent Asset

TAX : Tax Management

CR : Current Ratio

SF : Stock Frequency

SV : Stock Volume

*** <= 0.001; ** <= 0.050; * <= 0.10.

Value Ttest investment decisions from the perspective of current assets growth and growth in fixed assets 2.596 and -1,940 (respectively) with value sig one tailed 0.010 and 0.053 (respectively) <0.050 meaning that investment decisions have a significant effect on stock liquidity as measured by the frequency of stock trading. Therefore, the established research hypothesis 2a is accepted. On other side, Value Ttest investment decisions from the perspective of current assets growth and growth in fixed assets 4,767 and -1,644 (respectively) with value sig one tailed 0,000 and 0,101 (respectively) <0,050 meaning that investment decisions have a significant effect on stock liquidity as measured by the volume of stock trading. Therefore, the established research hypothesis 2b is accepted. Ttest tax management 0.542 and 0.231 (respectively) with value sig one tailed 0.588 and 0.817 > 0.050 means influential tax management it means that tax management has an effect and not significant on stock liquidity as measured by the frequency of stock trading and stock trading volume. Therefore, the established research hypothesis 3 is accepted. To find out the moderating effect of liquidity on the influence of investment decisions, tax management, on stock liquidity can be seen in the table as follows:

Table 5: Moderation Test Result

Dependent Variable	Independent Variable	Unstandardized Coefficients		t	Sig.	Acceptance of Hypothesis	Type Moderator
		B	Std. Error				
SF	GCA & CR INTERACTION	-4.660	9.814	-.475	.635	Rejected (H4)	Homologiser
	GFA & CR INTERACTION	-3.910	10.713	-.365	.715	Rejected (H4)	Homologiser
	TAX & CR INTERACTION	189.836	121.686	1.560	.119	Rejected (H5)	Homologiser
SV	GCA & CR INTERACTION	-	202.030	-1.041	.298	Rejected (H4)	Predictor
	GFA & CR INTERACTION	-	223.606	-.475	.635	Rejected (H4)	Homologiser
	TAX & CR INTERACTION	-	2542.970	-.301	.763	Rejected (H5)	Homologiser
		766.003					

Source: Data processed (SPSS 20)

Where :

GCA : Growth Current Assets
GFA : Growth Fixed/Noncurrent Asset
TAX : Tax Management
CR : Current Ratio
SF : Stock Frequency
SV : Stock Volume

Homologiser Moderator: If the moderator variable and the interaction variable are not significant
Predictor: If the moderator variable is significant and the interaction variable is not significant.

Discussion and Conclusion

Hypothesis 1 is accepted, based on the results of the study, data analysis and interpretation of the results of data analysis that has been carried out hence the stakeholders (like investor, stock analysts) of manufacturing companies listed on the Indonesian stock exchange in particular and companies other than manufacturing in general can pay attention to investment decisions and tax management that has been done to increase the liquidity of the company's shares on the stock exchange so that the company seeks to produce good information to the stock market which aims to generate interest among investors and stock market players in transacting company shares. Hypothesis 2a is accepted and hypothesis 2b is accepted, the results of the study, data analysis and interpretation of the results of data analysis that have been carried out, this study supports previous research conducted by Chan, et.al., (1995) if investment decisions are seen in terms of growth in current assets, this study supports the research conducted by Gonenc and Ursu (2018) if investment decisions are seen in terms of growth in fixed assets.

The growth of current assets became good news and the decline in current assets became bad news in the stock market which was captured by investors, stock market participants (like stock analysts) in the Indonesian stock exchange which focused on stock trading activities. But, the decline in asset growth remains

bad news and an increase in asset growth remains good news for investors who are not willing to accept investment risks in the future and focus on the number of shares traded.

Hypothesis 3 is accepted, the results of the study, data analysis and interpretation of the results of data analysis have been carried out so this study supports previous research conducted (Hvozdyk and Rustanov, 2016). This study proves that the tax ratio in Indonesia is relatively low compared to other developing countries because investors and stock market players in Indonesia do not consider tax management an important instrument in making decisions in buying and selling shares on the stock exchange, this study supports previous study, Prukumpai and Sethapramote (2019) stating that tax policies have not been responded to by the stock market. However, fiscal policy affects the real GDP of 5 ASEAN countries (Dau and Sethapramote, 2019). The tax ratio in Indonesia is likely to increase if investors and stock market players in Indonesia make corporate tax management sensitive data in making decisions on the stock market, increase or decrease the number of shares to be traded on the Indonesian stock exchange.

When investors find out that the manufacturing company are audited by the Indonesian tax authority (tax management is not going well), the information becomes bad news on the stock market or manufacturing company are not audited by the Indonesian tax authority (tax management is going well) so the information becomes good news on the stock exchange so that stock transaction activities and the number of shares traded on the stock exchange will change. Based on table 4.5. hence the research hypothesis 4 that has been determined is rejected ie the effect of investment decisions on stock liquidity not moderated by liquidity and the moderating nature of liquidity is to weaken the effect of investment decisions on stock liquidity, This study is in line with previous studies, Arfan, et.al. (2017) states that capital expenditure is one of the considerations for companies to hold cash and cash equivalents of the company. The availability of cash and cash equivalents of companies in investing is an absolute requirement because cash and cash equivalents are used as a tool to purchase current assets or fixed assets needed, if the availability of cash and internal cash equivalents of the company is insufficient, the company owner or company management can utilize the excess funds owned by external parties such as banks, non-bank financial institutions through short-term loan schemes or long-term loans.

Loans given by external companies will make the company's liquidity an not important or insignificant thing in the investment made by the company meaning that the insufficiency of cash and cash equivalents of the company does not become a barrier for companies to invest, the decisions of investors and stock exchange players in the activity of transacting shares, increasing or reducing the number of shares that will be transacted make the company's liquidity as not important or insignificant information (because there are loans from external parties in lieu of insufficient cash and cash equivalents). Based on table 4.5. then the research hypothesis 5 that has been determined is rejected ie the effect of tax management on stock liquidity not moderated by liquidity and the moderating nature of liquidity is to strengthen the effect of tax management on stock liquidity as measured by the frequency of stock trading and weaken the effect of tax management on stock liquidity as measured by the volume of stock trading. Companies that have good liquidity in fulfilling their tax obligations will reduce tax management actions aimed at minimizing tax payments, while companies that do not have liquidity that are good at fulfilling their tax obligations will carry out or improve tax management actions aimed at minimizing tax payments. This study supports previous research. Therefore, companies that have good liquidity stability have a high chance to invest now or in the future. That net profit that has been changed to net cash flow is not distributed, it will be reinvested (Jensen, 1986; Yeo, 2018).

Based on the results of the discussion, the conclusions of this study are as follows:

The purpose of this study is to investigate the simultaneous and partial effects investment decisions, tax management on stock liquidity and investigate the effect of investment decisions, tax management on stock liquidity which moderated by liquidity. Investment decisions and tax management are simultaneously effect and significant on stock liquidity, on the other side investment decisions and tax management partially effect and significantly on stock liquidity. The effect of investment decisions on stock liquidity not moderated by liquidity, likewise the effect of tax management on stock liquidity not moderated by liquidity.

Research implications: 1) the results of this study can be considered by the Indonesian Government in the field of taxation because it is known to be one of the reasons for the low tax ratio in the context of Indonesia. 2) Limited company liquidity is not a barrier for manufacturing companies in Indonesia to invest because they can utilize external company funds. Limitations: First, Most financial statements for 2018 up to September 2018 so there are still 3 months that have not been officially published on the Indonesian stock exchange website. Second, the observation year is relatively short (5 years). Third, observations are only made on one type of industry, namely a manufacturing companies. Suggestions for future research: 1) replicate this

study in different types of industries. 2) add years of observation. 3) replace variables like the going concern of the company, business risk, post tax amnesty performance on disclosure of assets by the company. 4) add research data.

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