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The Effect of Profitability Ratio, Leverage Ratio, Liquidity Ratio and Activity Ratio on Stock Return with Inflation As A Moderating Variable (Study on Stocks of Companies Actively Listed in LQ-45 in The Indonesia Stock Exchange (IDX) for The Period 2018-2022)

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Abstract:

This study aims to analyze company performance against stock returns in Companies *actively listed in LQ-45 on the Indonesia Stock Exchange (IDX) in 2018 to 2022. Company performance consists of profitability ratios proxied by return on assets, leverage ratios proxied by debt to equity ratio, liquidity ratio proxied by current ratio and activity ratio proxied by total assets turnover and macroeconomic variables, namely inflation as a moderating variable. Data were collected from the Indonesia Stock Exchange website and the websites of each related company. The research method used is a descriptive and verification method with a quantitative approach. The population in this study is the financial statements of 23 companies listed actively in the LQ-45 on the Indonesia Stock Exchange (IDX) in 2018 to 2022 (5 years), namely 115 financial statements that meet the criteria. The analysis method used is panel data regression analysis and Moderate Regression Analysis (MRA). The results of the study show that the profitability ratio (ROA) and leverage ratio (DER) have a negative effect on stock returns. While the liquidity ratio (CR) and activity ratio (TATO) have a significant positive effect on stock returns. The results of this study also show that inflation cannot moderate the effect of the profitability ratio, leverage ratio, liquidity ratio and activity ratio on stock returns.*

Keywords*: Profitability, Leverage, Liquidity, Activity, Stock Returns, Inflation*

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1. Introduction

The world economy in modern times continues to grow rapidly, where many people start to enter the economy through investment in the capital market and funds obtained from investors will go to companies that open shares. Law number 8 of 1995 explains the capital market as follows: the capital market is an activity related to the public offering and trading of securities of public companies related to the securities issued, as well as institutions and professions related to securities.

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The capital market is a market used to trade various long-term financial instruments and other instruments, and has a strategic role as a source of financing in national development and a place to invest for the community (Milna Dwi, 2022). The Indonesia Stock Exchange (IDX) as a growing and fairly large capital market in Indonesia, where every year many companies register for listing on the IDX (Nabila & Hotman Tohir, 2023). The most popular instrument for investors is stocks, because stocks can provide returns and are received by shareholders from the company that issued the shares (Milna Dwi, 2022). The capital market provides an opportunity for investors to resell the shares they have owned in order to make a profit, because the capital market makes it easy for investors to liquidate securities owned by investors (Wiagustini, 2014).

An effective capital market is highly dependent on accounting information The return rate from the stock market has become lower, even smaller than the bond index due to the Covid-19 pandemic (Gita Rossiana, 2021). Suheri, Chair of the Indonesian Pension Fund Association the Covid-19 pandemic that occurred affected the way businesses were conducted and interacted, thus impacting the growth of gross domestic product (GDP) and the economy, and in the last 2 years bond prices have increased and made their returns also increase and beat stocks (beritasatu.com, 2021). In 2020, the JCI fell due to the large negative sentiment that emerged from the spread of the Covid-19 outbreak both in the world and in Indonesia which affected the condition of the capital market, especially the stock market (Bappenas, 2020). Investors can analyze stock returns using the stock index, where the stock index is the stock price stated in the index and provides information on stock returns (M. Samsul, 2015). The stock index that can be used is the LQ45 index which is an index and uses 45 selected stocks that refer to 2 variables, namely trading liquidity and market capitalization and every 6 months there are new stocks that enter the LQ45 (Martalena, 2019). The following are the LQ45 index values during the Covid-19 outbreak in 2020-2021:

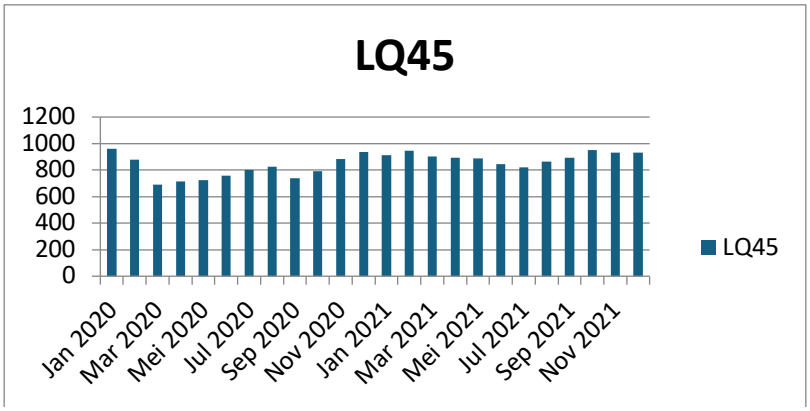

Figure 1. 1 LQ 45 Performance Graph

Source: bps.go.id

Based on the table above, it can be concluded that the movement of LQ45 when Covid-19 occurred, experienced fluctuations and experienced the lowest value when it first occurred in March 2020. The Covid-19 pandemic has an impact on the performance of LQ45 shares and there are variations in the performance of LQ45

shares between the period before Covid-19 and during Covid-19 and as a result the performance of the shares of 45 companies listed on the Indonesia Stock Exchange fell (Agus Munandar et al., 2022). Samsul Hidayat as Executive Director of the Indonesian Issuers Association, explained that the Covid-19 pandemic had a significant impact on the overall performance of issuers, issuers posted a 10% decrease in revenue in 2020 (beritasatu.com, 2021).

The instability of financial performance in LQ45 companies can be a negative signal to investors. With the decline in the company's financial performance, of course, it is directly proportional to the level of income which will also decrease, and investors will consider other companies that have better performance. This can cause the company's stock price to decline, and cause the stock return rate to also decline due to lack of interest from investors.

Uncertainty causes investors to continue to estimate the returns they will get in the future. Investors want to reduce uncertainty and increase the expected rate of return (Wahyuni, 2022). Information about the company's return conditions is very important for investment decisions (Dewi Fitriana, 2016). Investors often expect maximum returns, which requires a lot of analysis and effort in stock investment. To achieve maximum returns, investors must know what affects stock returns (Adiwibowo, 2018).

A company's stock returns vary, investors need a way to predict the elements that will cause high or low stock returns. M. Samsul (2015) argues that macro and micro variables of the company, both internal and external, contribute to the general conditions that affect stock performance. In addition, investors can use financial ratios to measure the company's potential to obtain stock returns based on its performance. One factor that affects stock returns is financial performance, but investors must also pay attention to other market risks. Investors remain exposed to systemic market risk, even though they have tried their best to spread their money. The purpose of this study is to identify how internal and external factors affect a company's stock returns.

Financial ratio analysis is one type of information that can be used by a company to measure its performance and other information provided, such as management and sustainability information. This additional data source can be used to produce better and more optimal information for investors. Investment decisions, such as decision-making during a crisis or worrying economic conditions, can be based on this information.

There are several financial ratios that can be used to assess a company's financial performance, including profitability, leverage, liquidity and activity. Profitability is a ratio that assesses a corporation's ability to seek profit (Kasmir, 2016). These ratios are important to see to assess the performance of a company, where investors can consider their decisions by utilizing these financial ratios. The existing financial ratios are taken from the company's financial statements and can describe the real state of the company's condition being observed.

There are various types of profitability ratios, each of which assesses a company's ability to generate profits. However, the ratio chosen by the researcher is return on assets (ROA). This ratio shows the company's ability to generate profits with all of its assets. The method for calculating this ratio is by comparing net profit after tax with total assets. Higher profits are associated with more productive company performance which will increase investor confidence (Abdul Halim, 2018).

The company's performance is better if the ROA value is higher, and vice versa, the lower the ROA value, the lower the company's performance (Kasmir, 2012). With increasing ROA, it can reflect that the company's performance is getting better and cause the company's stock price to increase. The increasing company's stock price will be directly proportional to the company's stock return which will also increase (Parwati and Sudiartha, 2016).

In previous studies conducted by Awaluddin (2011), Ningsih (2014), Dewi Fitriana (2016), Mega Yolanda (2013), Neni Marlina (2019), Sahala (2020), Bachtiar et al. (2021) and Wahyuni (2022), Alya Tri (2022), Dana Refiani (2022) and Yolanda Paskalin (2023), stated that profitability has a positive effect and increases stock returns. However, the results of research conducted by Asri Nur (2019), Wahyuningsih (2019), Zul Hadri et al. (2021), Milna Dwi (2022), Kartadjumena et al. (2022) and Suandi (2023), stated that profitability has a negative effect on stock returns.

Companies that have the ability to meet financial obligations, which include short-term and long-term debt, are measured by leverage or solvency. This is referred to as a more comprehensive ratio (Kasmir, 2016). The ratio chosen by the researcher is the debt to equity ratio (DER). A company can use leverage or solvency, which is represented by the debt to equity ratio (DER). In building a company, the first thing to consider is funds. One way to obtain capital is debt, which is important for the sustainability of a company (Milna Dwi, 2022).

The greater the company's risk in meeting long-term obligations, the higher the debt interest burden that the company must bear (Alya Tri, 2022). A high DER value will make the company bear great risks and can result in losses for the company (Kasmir, 2016). The increasing burden on the company in bearing long-term obligations will have an impact on the decline in the company's stock returns and the loss of investor confidence in the company (Parwati and Sudiartha, 2016).

In previous studies on the effect of leverage on stock returns in real estate companies conducted by Bachtiar (2021), Nurmia (2021), Wahyuni (2022), Laura (2022), Alya Tri (2022), Fatricia Rofalina (2023), stated that the leverage ratio has a positive effect on stock returns. Several researchers stated differently that leverage proxied by DER has a negative effect on stock returns (Abdillah et al., 2021; Kartadjumena et al., 2022; Milna Dwi, 2022; Sukarno, 2023; Wahyuningsih, 2019; Zul Hadri et al., 2021).

Investors use liquidity to determine how well a company can meet short-term debt with current funds, where the higher the liquidity, the better the company can meet short-term debt. Conversely, a low liquidity ratio will hinder the company from making a profit (Neni Marlina, 2019). The factor that influences investors' decisions to invest is the level of liquidity of a company, where investors tend to invest in companies that are more liquid than companies that are less or illiquid (Milna Dwi, 2022). Current ratio (CR) is a tool that can be used to project liquidity (Brigham, 2016). Current ratio, is a ratio that can be used to assess a company's ability to pay short-term liabilities that are billed as a whole (Kasmir, 2016). A high ratio level can

reflect that the company can work effectively and efficiently in its operations. The company's ability to meet its short-term obligations can increase the company's credibility in the eyes of investors so that it is able to increase the company's stock returns (Parwati and Sudiartha, 2016).

Research linking liquidity with stock returns conducted by Chasanah (2019), Abdillah et al. (2021), Laura (2022), Nurmia (2021), Wijayanti (2022), Fatricia Rofalina (2023), and Yuli Rien (2023) states that liquidity has a positive effect on stock returns. Several researchers state differently, that liquidity proxied by CR has a negative effect on stock returns (Ayuningrum et al., 2021; Bachtiar, 2021; Dewi Fitriana, 2016; Japlani, 2020; Milna Dwi, 2022; Sukarno, 2023; Wahyuningsih, 2019; Wijayanti, 2022; Zul Hadri et al., 2021).

Activity is a ratio that shows how effectively a company manages assets and can show the company's performance (Hery, 2017). According to Alya Tri (2022), activity is a ratio used to measure the effectiveness of asset use by looking at the level of activity of the assets. Companies can use the activity ratio to calculate how effectively assets are used to generate sales, to conduct analysis, investors can use the total asset turnover (TATO) calculation method.

Total asset turnover is a ratio to calculate the total turnover of a company's assets and the amount of sales obtained from each rupiah of assets. TATO is obtained by dividing sales by the company's total assets. Total asset turnover (TATO) allows you to find out how efficiently a business uses its assets to generate profits (Rusdiana et al., 2019). The higher the TATO value, the more efficient the use of assets is in increasing and optimizing the company's income, thus attracting investors to invest (Nugroho and Daljono, 2013).

Research conducted by Sunaryo (2020), Jalpani (2020), Nurmia (2021) and Alya Tri (2022) activity has a positive effect on stock returns. Several researchers stated different results, that activity has a negative effect on stock returns. The results of research conducted by Dewi Fitriana (2016), Kartadjumena et al. (2022), Sukarno (2023) and Fatricia Rofalina (2023), stated that total assets have a significant negative effect on stock returns. Total assets and stock return variables have a low correlation level and are negative, indicating that total assets have a negative correlation with stock returns. Zulfikar (2016), argues that factors that influence stock prices can come from internal and external factors of the company. Macroeconomic factors that can affect stock performance and company performance include inflation, interest rates, and exchange rates (Maronrong Ridwan, 2019). Researchers choose inflation as a moderating variable because inflation is an economic event that often occurs even though we do not want it (Murni A., 2006). Rahardja (2008), states that inflation is a general and continuous increase in the price of goods. The inflation rate can increase suddenly or occur as a result of a certain event that occurs outside the government's expectations, for example the effect of a very large reduction in the value of money or political instability (Sukirno S., 2016).

With the increase in the price of goods that are general and sustainable, of course it can increase production costs or service costs incurred by the company and reduce the company's profits. Likewise from the perspective of society who shift their focus to meet their needs and ignore stocks. With the lack of public focus on stocks, of course, it will cause stock prices to fall and minimize stock returns to investors.

With the influence of the inflation rate, it can also have an impact on the presentation of financial reports which are indeed the main signal for investors. The presentation of financial ratios can be less good with the increase in production costs due to inflation, and the reduction

in company income. This will continue to happen if the company does not immediately find a way to overcome this. The results of research on inflation moderating financial ratios conducted by Awaluddin (2011), Ningsih (2014), and Japlani (2020), state that inflation in the mild category can moderate (strengthen) the effect of profitability on stock returns. The results of research conducted by Rizky Zakariyya (2020) and Suandi (2023), explain that inflation can moderate (strengthen) the effect of leverage on stock returns. The results of a study conducted by Wahyuningsih (2019) explain that inflation moderates (strengthens) liquidity on stock returns. However, the results of a study conducted by Ayuningrum (2021), Wijayanti (2022), state that inflation is unable to moderate financial performance on stock returns.

Before deciding to invest, investors must have a good understanding of income, investment risk, and finance. Understanding financial concepts well is the key to effective financial management because investment decisions are influenced by important factors that affect financial ability and well-being, it is very important for investors and stakeholders to know things related to investment decisions. Companies must know how to manage their finances to achieve the goal of making a profit. Investors can anticipate investment failure by knowing the risks that will occur when investing in stock instruments. If investors know the risk of returns to be obtained, investors will make better considerations before investing.

Based on the background of the problem and the phenomenon of the inconsistency between theory and practice and previous research that shows inconsistent results. Additional research is needed to identify and empirically prove the effect of the four components (profitability, leverage, liquidity, and activity) on stock returns with inflation as a moderating variable. This research focuses on LQ45 companies on the Indonesia Stock Exchange (IDX) during the 2018–2022 period.

2. Theoretical Background

Signalling Theory

Signaling theory explains how a company should send signals to users of financial statements. Signaling Theory is an action taken by a company to provide guidance to investors on how management views the Company's prospects (Brigham, 2019). Signal theory involves two parties, namely company management and investors, where company management tries to provide complete signals to investors, so that investors can adjust decisions based on the signals received. Signals are interpreted as signals given by the company to investors, can be observed directly or need to be studied further to find out, the signal can be positive or negative. The market must capture signals effectively in order to properly perceive the signals given by the company. Signal theory describes positive and negative signals related to financial statements (Levina, 2019). Thus, it can foster investor confidence in the company when investing their capital. The high trust that is created makes investors benefit the company by increasing stock price movements. The relationship between stock returns and signal theory is that if the value of a company's shares increases, the company can also generate greater stock returns. This can be a signal for investors to invest in companies with higher stock prices so that they can benefit from the resulting stock returns. The leverage ratio in signal theory shows that the lower the company's debt level, the lower the risk borne by the company, and the higher the profit, so that the company can more easily pay off its obligations. This increases investor confidence and makes the company look better in the eyes of investors. The liquidity

ratio in signal theory states that the company has good liquidity, so the company is able to pay off short-term debt and can be used as a positive signal to attract investors to invest. The activity ratio in signal theory states that the company has the ability to optimize the use of its assets, so that sales of the business will increase. Companies that are able to optimize the use of their assets and increase sales will be more attractive to investors (Angga Dwi, 2018). The relationship between signal theory and inflation, if inflation exceeds or is above the normal limit, the stock price will fall, which means that investors should avoid investing in companies with low stock returns. On the other hand, if inflation is low or at an acceptable level, investors are more likely to invest their capital in stocks, generating profits because the returns they will receive are higher (Levina, 2019).

Profitability

Profitability is a ratio used to measure the overall effectiveness of management which is indicated by the level of profit obtained in relation to sales or related to investment. In simple terms, a company's ability to generate profits from its routine activities is known as the profitability ratio. When a company can generate high profits, demand for shares will increase and share prices will increase, which means that the company will generate greater profits. The return on investment or what is known as ROA is influenced by the net profit margin and total asset turnover because if the ROA is low it is caused by a low profit margin caused by a low net profit margin caused by a low total asset turnover (Kasmir, 2019). With the increasing value of profitability, it will certainly attract investors to buy shares of the company. With increasing interest in a company's shares, the value of the shares will increase and will provide an opportunity for investors to get greater stock returns.

According to Munawir (2014), the advantages of ROA ratio analysis are its comprehensive nature, it can be used to measure the efficiency of actions taken by the company, it can also be used to measure the profitability of each product produced by the company and is useful for control purposes, and is also useful for planning purposes. Businesses that are able to generate greater profits will attract investors, who will invest by buying their shares (Nurul 'Afifah, 2021). Companies that have high ROA tend to have high stock prices, attract potential investors to invest and generate high returns (Neni Marlina, 2019). Research conducted by Awaluddin (2011), Ningsih (2014), Dewi Fitriana (2016), Mega Yolanda (2013), Neni Marlina (2019), Sahala (2020), Bachtiar et al. (2021), Wahyuni (2022), Alya Tri (2022), and Dana Refiani (2022) states that profitability has a positive effect on stock returns.

Leverage

Leverage is used to measure how much a company is financed with the company's obligations or debts (Fahmi, 2018). The use of excessive debt will endanger a company and fall into the extreme leverage category because the company is trapped in a high level of debt and it is difficult to release the debt (Fahmi, 2018). DER (debt to equity ratio) is used to calculate the company's leverage ratio and determine the company's capital ability to meet all its obligations (Neni Marlina, 2019). DER (debt to equity ratio) is used to calculate the company's leverage ratio and determine the company's capital ability to meet all its obligations (Neni Marlina, 2019). DER is to

measure the percentage of liabilities in the company's capital structure, this ratio is important to measure the company's business risk which is increasing with the addition of the number of liabilities (Sukmawati, 2017).
A high DER ratio indicates higher profit before tax and interest, which will increase earnings per share. A high DER ratio will reflect high risk and tend to reduce stock returns. The higher the return, the higher the risk that investors must bear (Neni Marlina, 2019). With a high DER value, it explains the company's level of liability is also very high, and it can be measured whether the company's capital capacity can cover the company's obligations or not. For investors, it is very risky to choose a company with a high DER value, because there is a risk that the company will not be able to fulfill its obligations and go bankrupt. Research conducted by Bachtiar et al. (2021), Nurmia (2021), Wahyuni (2022), Laura (2022), Alya Tri (2022) and Fatricia Rofalina (2023), states that leverage has a positive effect on stock returns.

Liquidity
Liquidity is the ability of a company to meet its short-term obligations in a timely manner (Fahmi, 2018). This ratio is used to determine whether the company is able to pay its short-term debts (Hery, 2017). The ratio used to measure how many short-term assets are available for the company to pay short-term liabilities or debts that are due immediately when billed in their entirety is the current ratio (CR) (Kasmir, 2016). CR is a common measure used for short-term solvency, a company's ability to meet debt needs when they fall due (Fahmi, 2018). The current ratio is the most common measure used to determine the ability to meet short-term obligations because this ratio shows how far the demands of short-term creditors are met by assets that are expected to become cash in the same period as the debt maturity (Agnes Sawir, 2017).

The current ratio affects stock returns; if the ratio is low, stock returns will decrease. On the other hand, if the ratio is too high, it is considered unprofitable because it indicates that there are unused company funds, which can reduce the Company's profitability (Anita Erari, 2014). The company must ensure that its ratio remains ideal, which means that the company can meet its operational needs. Investors will be more confident in investing their shares in a company and hope to get better results from their investment (Hasanudin Awaloedin, 2020). So it can be concluded that the higher the level of liquidity, the company's financial health is quite good, because the company's current debt is not higher than the company's current assets, so if the company's current debt must be met, the company can cover it with the company's current assets if necessary. With a good level of liquidity, the company can continue to carry out operational activities in generating company profits, it can attract investors to buy company shares, and directly increase the company's stock price. Research conducted by Chasanah (2019) and Abdillah et al. (2021), Laura (2022), Nurmia (2021), Wijayanti (2022), Fatricia Rofalina (2023) and Yuli Rien (2023) stated that liquidity proxied by the current ratio has a positive and significant effect on stock returns.

Activity
Activity is a ratio used to describe the extent to which a company uses its resources to support company activities, where the use of this activity is carried out optimally with

the aim of obtaining maximum results (Fahmi, 2018). The activity ratio shows how resources have been utilized optimally, which then by comparing the activity ratio, what can be known from this ratio is the level of company efficiency in an industry (Agus Sartono, 2012). Total asset turnover (TATO) is a ratio that measures the turnover of all company assets, and is calculated by dividing sales by total assets (Brigham, 2019). The more activities (TATO) a company obtains, the more investors will invest in the company, which in turn will result in increased demand for shares, stock prices, and stock returns (Rusdiana et al., 2019). According to Kasmir (2019), TATO is a ratio used to measure the turnover of all assets owned by a company and measure how much sales are obtained from each rupiah of assets.

A higher TATO value indicates how efficient all of the company's assets are in generating a certain amount of sales; the higher the TATO value, the more efficiently the assets are used to generate sales (Sayid Abrar, 2019). Because with a high TATO value, the company efficiently uses the assets owned by the company well, and is not used entirely in generating company revenue. Another thing can also happen, if the company is not efficient in using their assets, then the assets will be wasted and the company's income can decrease. The more efficient the use of capital in generating sales, as indicated by the total asset turnover, the more attractive it is for investors to invest their funds in the company. In addition, the higher the total asset turnover, which indicates the efficiency of asset use and increased turnover, the more positive the impact on stock prices (Yulia Putri, 2023). Research conducted by Sunaryo (2020), Japlani (2020), Nurmia (2021), Alya Tri (2022), states that activity has a positive effect on stock returns.

Inflation

Inflation is a process of increasing prices in general and continuously related to market mechanisms that can be caused by various factors, including increased public consumption, increased liquidity in the market that triggers consumption or speculation, and also includes the consequences of the uneven distribution of goods (Boediono, 2009, p. 9). An increase in one or two goods cannot be called inflation, unless the increase extends to most of the prices of other goods (Boediono, 2009, p. 155). Relatively increasing inflation can indicate a negative signal for various parties in the capital market (Tendelilin E., 2010, p. 343). The inflation rate differs from one period to another, and also from one country to another (Sukirno S., 2016, p. 15). According to Firdaus (2011, p. 119) inflation can be divided into four types, namely: mild inflation which is less than 10% per year, moderate inflation between 10-30%, severe inflation between 30-100%, and hyperinflation which is above 100%.

Previous research conducted by Awaluddin (2011) and Ningsih (2014), Rizky Zakariyya (2020), Wahyuningsih (2019), Japlani (2020), and Suandi (2023) stated that inflation as a moderating variable can moderate (strengthen) the relationship between profitability, leverage, liquidity and activity and stock returns.

Indicators for calculating the inflation rate are the consumer price index, producer price index or wholesale trade, and implicit price index (Murni A., 2006, p. 203). The consumer price index is the most widely used approach in calculating inflation,

because consumer price index data can be obtained in monthly, quarterly, or annual forms (Insukrido, 1993, p. 139).

Stock Return

According to Hartono (2017), stock return is the profit from investment. Stock return can be in the form of dividends or capital gains, and greatly affects stock prices because if the return is high, the stock price will also increase. This will inspire investors to buy shares in the company. Dividends are profits obtained according to the number of shares owned. Dividends can be in the form of shares or money. Capital loss is the difference between the selling price and the purchase price. If the selling price is higher than the purchase price, then there is a capital loss.

Realization and expectation are two types of returns. Realized return is a return that has occurred and is very important for measuring company performance. Expected return is a return that is expected in the future but is still uncertain (Hartono, 2017). Stock return is the result of investors' courage to take risks on their investments. Financial performance that affects stock returns is categorized into several ratios, namely liquidity ratio, solvency ratio, profitability/rentability ratio, activity ratio, market ratio, and Economic Value Added (EVA) (Asnawi, 2015).

Stock returns can be in the form of returns that have occurred or returns that have not occurred that are expected to occur in the future (Hartono, 2017). Stock returns = capital gain (loss) + Yield Capital gain (loss) is the difference between the current stock price relative to the stock price in the previous period. Capital gain or capital loss = Pt - Pt-1 Pt-1 while yield is the percentage of periodic cash receipts to the investment price of a certain period from an investment. For stocks, yield is the percentage of dividends to the stock price in the previous period. Thus, total return can also be expressed as follows: Return = Pt - Pt-1 + Yield Pt-1. For common stocks that pay periodic dividends of Dt rupiah per share, the yield is Dt / Pt-1 and total return can be expressed as: Stock return = Pt - Pt-1 + Dt Pt-1 (Hartono, 2017).

Research Hypothesis

The hypothesis proposed in this study is based on relevant theories, namely as follows:

H_1: Profitability has a positive effect on stock returns
H_2: Leverage has a positive effect on stock returns
H_3: Liquidity has a positive effect on stock returns
H_4: Activity has a positive effect on stock returns
H_5: Inflation moderates (strengthens) the profitability on stock returns
H_6: Inflation moderates (strengthens) the leverage on stock returns
H_7: Inflation moderates (strengthens) the liquidity on stock returns
H_8: Inflation moderates (strengthens) the activity on stock returns.

3. Methodology

Population and Research Sample

The population in this study were all companies listed actively in the LQ-45 on the Indonesia Stock Exchange (IDX) for the 2018-2022 period, with a total of 23 companies. The sampling method in this study was the purposive sampling method by taking samples adjusted to certain considerations, namely companies listed actively on the Indonesia Stock Exchange (IDX) during the 2018-2022 period, companies that did not experience delisting during the research period, companies whose financial statements ended on December 31 and companies have complete data related to the variables used in the study. The number of samples was 115 company financial reports.

Data Type and Source

This study is quantitative and uses secondary data in the form of financial reports of companies listed actively in the LQ-45 on the Indonesia Stock Exchange (IDX) for the 2018-2022 period. Accessed through the IDX website, www.idx.co.id, and www.finance.yahoo.com, as well as directly from the relevant company website.

Data Analysis Method

Qualitative Analysis (Descriptive)

According to Sugiyono (2018), the qualitative research method is carried out intensively, the researcher participates in the field for a long time, carefully records what happens, conducts reflective analysis of various documents found in the field, and makes detailed research reports. In this study, descriptive analysis was conducted to answer the research objectives. To assist in determining the characteristics of the sample data, this descriptive description will provide an overview of the data to be studied. This study analyzes the effect of Profitability, Leverage, Liquidity, and Activity on Stock Returns with Inflation as a moderating variable in LQ45 companies actively listed on the Indonesia Stock Exchange from 2018 to 2022.

Quantitative Analysis (Verification)

Quantitative analysis is the analysis of data processed in numerical form. The author conducted a research analysis on LQ45 companies actively listed on the Indonesia Stock Exchange from 2018 to 2022. The purpose of the study was to determine the effect of Profitability, Leverage, Liquidity, and Activity on Stock Returns with Inflation as a moderating variable.

Panel Data Regression Analysis

According to Agus Tri (2017, p. 275), panel data analysis is a combination of time series and cross-sectional. Time series data is data obtained from several periods with one subject, while cross-section data is data obtained from several companies. There are two types of panel data, namely balanced panel data and unbalanced panel data. Balanced panel data is a condition where the cross-sectional unit has the same number of time series observations. Unbalanced panel data is a condition where the cross-sectional unit has an unequal number of time series observations. This study uses the

unbalanced panel data type because it has a number of time series observations of 5 years and a cross-sectional unit of 23 companies.

There are three ways to estimate regression models with panel data, including the Common Effect Model, Fixed Effect Model and Random Effect Model. There are several tests that must be done when selecting panel data, such as the langrange multiplier (LM) test, the chow test, and the hausman test.

Classical Assumption Testing
According to Agus Tri (2017), the classical assumption test is used in linear regression. It uses the Ordinary Least Squared (OLS) method, which includes linearity, autocorrelation, heteroscedasticity, multicollinearity, and normality tests. The classical assumption tests used are only multicollinearity and heteroscedasticity (Agus Tri, 2017).

Determination Coefficient Analysis
To explain the level of significant relationship between the independent variable and the dependent variable, use the determination coefficient test. The determination coefficient is expressed as R^2. The determination coefficient value approaching 1 indicates that the greater the influence of the independent variable on the dependent variable. The determination coefficient value can be seen by changing the R^2 value to a percentage. Additional variables not included in the model explain the remaining 100% or percentage of the determination coefficient (Imam Ghozali, 2018).

Hypothesis Testing
In this study, the t-test is used to test the hypothesis. The goal is to find out how much influence the independent variable has on the dependent variable. According to Imam Ghozali (2018, p. 99), the t-test basically shows how far the influence of one independent variable individually is in explaining the dependent variable. The H0 to be tested is whether an independent variable (bi) is equal to zero.

Moderated Regression Analysis
This analysis is used to test whether the moderating variable will strengthen or weaken the relationship between the independent variable and the dependent variable. This test consists of three models, namely the interaction test (MRA), the absolute difference value test, and the residual test. The purpose of the moderated regression analysis is to find out whether the moderating variable will strengthen or weaken the relationship between the independent variable and the dependent variable.

This study uses the MRA test as a test of the moderation hypothesis, where the hypothesis is accepted if the moderating variable Inflation has a significant effect on profitability, leverage, liquidity and activity on stock returns.

4. Empirical Findings/Result

Descriptive statistical analysis

The results of the descriptive statistical analysis for this study are presented in table 1.

Table 1. Statistik Deskriptif

	Return	ROA	DER	CR	TATO	Inflasi
Mean	0.587532	0.102459	2.292982	2.312569	0.748365	0.029757
Median	0.307193	0.061362	0.944870	1.799217	0.512675	0.027200
Maximum	3.699376	0.971112	16.07925	22.83984	5.220331	0.055100
Minimum	0.004790	0.057226	0.126224	0.023791	0.041528	0.016800
Std. Dev.	0.802808	0.136227	3.073046	2.550981	0.843325	0.013673
Observations	115	115	115	115	115	115

Source: Eviews 9 output, data processed by the author (2024)

The average stock return of the company from 2018 to 2022 was 0.587 and the median was 0.307. PT. Unilever Indonesia Tbk. obtained the highest stock return of 0.369 in 2022, while PT. Bank Mandiri Tbk. obtained the lowest stock return of 0.004 in 2019. There is a significant deviation in the distribution of the collected stock return data, because the standard deviation value of 0.802 is greater than the average value.

The average ROA (return on assets) of the company from 2018 to 2022 was 0.102 and the median was 0.061. PT. United Tractors Tbk. obtained the highest stock return of 0.971 in 2022, while PT. XL Axiata Tbk. obtained the lowest stock return of -0.057 in 2018. There is a significant deviation in the distribution of the collected stock return data, because the standard deviation value of 0.136 is greater than the average value. The average DER (debt to equity ratio) of the company from 2018 to 2022 is 2.292 and the median is 0.944. PT. Bank Tabungan Negara (Persero) Tbk. obtained the highest stock return of 16.079 in 2020, while PT. Media Nusantara Citra Tbk. obtained the lowest stock return of 0.126 in 2022. There is a significant deviation in the distribution of the collected stock return data, because the standard deviation value of 3.073 is greater than the average value.

The average CR (current ratio) of the company from 2018 to 2022 is 2.312 and the median is 1.799. PT. Tambang Batubara Bukit Asam Tbk. obtained the highest stock return of 22.83 in 2022, while PT. Bank Negara Indonesia (Persero) Tbk. obtained the lowest stock return of 0.023 in 2018. There is a significant deviation in the distribution of the collected stock return data, because the standard deviation value of 2.550 is greater than the average value.

The average TATO (total assets turnover) of the company from 2018 to 2022 is 0.748 and the median is 0.512. PT. United Tractors Tbk. obtained the highest stock return of 5.22 in 2022, while PT. Bank Mandiri (Persero) Tbk. obtained the lowest stock return of 0.041 in 2020. There is a significant deviation in the distribution of the collected stock return data, because the standard deviation value of 0.843 is greater than the average value.

The average inflation of the company from 2018 to 2022 is 0.029 and the median is 0.027. PT. United Tractors Tbk. obtained the highest stock return of 0.055 in 2022 and PT. United Tractors Tbk. obtained the lowest stock return of 0.016 in 2020. There

is a significant deviation in the distribution of the collected stock return data, because the standard deviation value of 0.013 is smaller than the average value.

Data Processing Results

Model Selection in Panel Data Regression

There are several tests that must be carried out to determine the panel data regression model, such as the langrange multiplier (LM) test, the chow test, and the hausman test.

Chow Test

Table 2. Uji *Chow Test*

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.688617	(22,87)	0.0000
Cross-section Chi-square	158.144346	22	0.0000

Source: Eviews 9 output results, data processed by the author (2024)

Based on the results of the chow test above, a probability value of 0.0000 is obtained which is smaller than 0.05 and the appropriate model to use is FEM, and can be continued to the Hausman test to ensure that FEM is the right model.

Hausman Test

Tabl*e* 3. Hausman *Test*

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.007068	5	0.0750

Source: Eviews 9 output results, data processed by the author (2024)

In the Hausman test results above, a probability value of 0.075 was obtained, which is greater than 0.05. These results can be concluded that the right model is REM. Due to the different results from the Chow test, it was continued to the Lagrange multiplier test.

Lagrange Multiplier Test

Table 4. *Lagrange Multiplier Test*

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided

(all others) alternatives			
	Test Hypothesis Cross-section		
		Time	Both
Breusch-Pagan	77.57691	1.410647	78.98756
	(0.0000)	(0.2349)	(0.0000)

Source: Eviews 9 output results, data processed by the author (2024)

From the results of the LM test above, a significance value of 0.0000 was obtained and greater than 0.05. So it can be concluded that the method used is REM.

Classical Assumptions

Multicollinearity Test

Table 4. Multikolinearitas

Included observations: 115

	LOG(ROA)	LOG(DER)	LOG(CR)	LOG(TAT
LOG(ROA)	1.000000	-0.551015	0.370904	0.717052
LOG(DER)	-0.551015	1.000000	-0.596489	-0.677502
LOG(CR)	0.370904	-0.596489	1.000000	0.348160
LOG(TATO)	0.717052	-0.677502	0.348160	1.000000

Source: Eviews 9 output results, data processed by the author (2024)

The results of the multicollinearity test in table 5, it can be seen that the significance value is not above 8. So it can be concluded that the existing data does not have a correlation between the independent variables.

Heteroscedasticity Test

Table 6. Heteroscedasticity Test

Heteroscedasticity Test: Glejser

F-statistic	2.113581	Prob. F (4,95)	0.0851
Obs*R-squared	8.172036	Prob. Chi-Square (4)	0.0855
Scaled explained SS	7.913896	Prob. Chi-Square (4)	0.0948

Source: Eviews 9 output results, data processed by the author (2024)

The results of the heteroscedasticity test as shown in table 6, obtained a probability value of 0.0855> 0.05 and it was concluded that the existing data had been distributed randomly.

Determination Coefficient Analysis

Table 7. Determination Coefficient

R-squared	0.068499	Mean dependent var	-0.004640
Adjusted R-squared	0.029278	S.D. dependent var	0.249796
S.E. of regression	0.246112	Akaike info criterion	0.082645

Sum squared resid	5.754245	Schwarz criterion	0.212903
Log likelihood	0.867764	Hannan-Quinn criter.	0.135363
F-statistic	1.746488	Durbin-Watson stat	2.125987
Prob(F-statistic)	0.146208		

Source: Eviews 9 output results, data processed by the author (2024)

The result of the determination coefficient is 0.068499 or 6%, so it can be concluded that the ability of the variable to explain the dependent variable is not good enough.

T-test

Table 5. T-test

Dependent Variable: *Return*				
Method: Panel EGLS (Cross-section random effects)				
Sample: 2018 2022				
Periods included: 5				
Cross-sections included: 23				
Total panel (balanced) observations: 115				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.117105	0.157008	0.745850	0.4573
ROA	-0.745140	0.797205	-0.934690	0.3520
DER	0.032094	0.028730	1.117124	0.2664
CR	-0.031964	0.015951	-2.003925	0.0475
TATO	0.731062	0.176299	4.146721	0.0001

Source: Eviews 9 output results, data processed by the author (2024)

The effect of the profitability ratio on stock returns from the test results in table 8, obtained a probability value of 0.3520> 0.05 and it can be concluded that the accepted hypothesis is H0 where ROA does not affect stock returns. The effect of the leverage ratio on stock returns from the test results in table 8, obtained a probability value of 0.2664> 0.05 and it can be concluded that the accepted hypothesis is H0 where DER does not affect stock returns.

The effect of the liquidity ratio on stock returns from the test results in table 4.8, obtained a probability value of 0.0475 <0.05 and it can be concluded that the accepted hypothesis is Ha where CR has a positive effect on stock returns. The effect of the activity ratio on stock returns from the test results in table 4.8, obtained a probability value of 0.000 <0.05 and it can be concluded that the accepted hypothesis is Ha where TATO has a positive effect on stock returns.

Analisis Regresi Moderasi *(Moderated Regression Analysis)*

Table 9. Moderated Regression Analysis

Dependent Variable: *Return*
Method: Panel EGLS (Cross-section random effects)

Sample: 2018 2022				
Periods included: 5				
Cross-sections included: 23				
Total panel (balanced) observations: 115				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.379141	0.240174	1.578611	0.1174
ROA	-0.850029	0.847813	-1.002614	0.3184
DER	0.017277	0.034572	0.499736	0.6183
CR	-0.115896	0.056161	-2.063649	0.0415
TATO	0.649307	0.194365	3.340662	0.0012
INFLASI	-5.044209	4.804898	-1.049806	0.2962
X1_Z	-0.887636	2.887928	-0.307361	0.7592
X2_Z	0.260303	0.760081	0.342467	0.7327
X3_Z	1.616659	1.041750	1.551868	0.1237
X4_Z	2.253848	2.871715	0.784844	0.4343

Source: Eviews 9 output results, data processed by the author (2024)

Inflation in moderating the effect of the profitability ratio on stock returns based on the results of the MRA test in table 9, the probability value is 0.7592. These results are greater than 0.05 and it can be concluded that H1 is rejected and H0 is accepted. So it is concluded that inflation cannot moderate the effect of ROA on stock returns. Inflation in moderating the effect of the leverage ratio on stock returns based on the results of the MRA test in table 4.9, the probability value is 0.7327. These results are greater than 0.05 and it can be concluded that H1 is rejected and H0 is accepted. So it is concluded that inflation cannot moderate the effect of DER on stock returns.

Inflation in moderating the effect of the liquidity ratio on stock returns based on the results of the MRA test in table 9, the probability value is 0.1237. These results are greater than 0.05 and it can be concluded that H1 is rejected and H0 is accepted. It is concluded that inflation cannot moderate the effect of CR on stock returns. Inflation in moderating the effect of activity ratio on stock returns based on the results of the MRA test in table 4.9, the probability value is 0.4343. The result is greater than 0.05 and it can be concluded that H1 is rejected and H0 is accepted. It is concluded that inflation cannot moderate the effect of TATO on stock returns.

5. Discussion

The Effect of Profitability on Stock Returns

Based on the results of the study, it states that the profitability ratio proxied by ROA (return on assets) has a negative effect on stock returns. This is evidenced by the T-value = -0.745 <Ttable = 1.980 and the probability value = 0.3520> 0.05 in the T-test. This can be interpreted that the higher the ROA (return on assets) value will not affect

the rise and fall of stock returns. In 2018-2022, the company experienced instability and the profit it generated was smaller than its total assets.

A high return on assets indicates that the company is effectively utilizing its assets and carrying out efficient operations, while a low ROA (return on assets) indicates that the company is utilizing its assets inefficiently. There is no influence between return on assets and stock returns, which indicates that businesses with good or increasing return on assets conditions do not have the potential to reduce investor attractiveness. Investors believe that the potential for the company's shares will increase, even though the company's profitability decreases. This condition causes the company's stock price to increase, therefore, an increase in return on assets will not have an impact on the company's stock returns. This study agrees with the findings of Milna Dwi (2022), Kartadjumena (2022) and Suandi (2023) which state that ROA (return on assets) has a negative effect on stock returns. However, it is different from the findings of Sahala (2020), Bachtiar et al. (2021), Wahyuni (2022), Alya Tri (2022), and Dana Refiani (2022) who stated that return on assets has a positive effect on stock returns.

The Effect of Leverage on Stock Returns

Based on the results of the study, it was stated that the leverage ratio proxied by DER (debt to equity ratio) had a negative effect on stock returns. This is proven based on the Tcount value = 0.032 <Ttable = 1.980 and probability value = 0.2664 > 0.05 in the T test. Overall DER data fluctuated throughout 2018-2022 and tended to increase in 2022 compared to the previous year. DER has a negative effect indicating that there is an inverse effect between DER and stock returns. The higher the DER, the lower the stock return, and vice versa, the lower the DER, the higher the stock return. The high or low leverage of a company is not solely caused by the performance of earnings management but is influenced by other factors so that DER is less considered by investors in making investment decisions. According to Komariah (2011), investors do not always consider increasing debt as evidence of the failure of the company's financial management, and vice versa, low debt does not mean that the company does not have sufficient funds. The results of this study are in line with research conducted by Abdillah (2021), Kartadjumena (2022), Milna Dwi (2022), Sukarno (2023), stating that the debt to equity ratio has a negative effect on stock returns. However, research conducted by Laura (2022), Alya Tri (2022) and Fatricia Rofalina (2023), states something different that the leverage ratio proxied by DER (debt to equity ratio) has a positive effect on stock returns.

The Effect of Liquidity on Stock Returns

Based on the results of the study, it states that the liquidity ratio proxied by CR (current ratio) has a positive effect on stock returns in LQ45 companies for the 2018-2022 period. This study shows that the liquidity ratio proxied by the current ratio has an effect on stock returns in LQ45 companies for the 2018-2022 period. This is evidenced by the T-value = -0.0319 < T-table = 1.980 and the probability value = 0.0475> 0.05 in the T-test. In LQ45 companies for the 2018-2022 period, the average company has a high CR value; the percentage of CR values increases and decreases.

The results of this study, the liquidity ratio affects the rise and fall of the company's stock returns. The availability of current assets to pay off current liabilities is also high, as indicated by the high current ratio value. High liquidity will make it more likely for the company to meet its short-term obligations to creditors, The company is in good financial condition therefore, investors consider the current ratio as part of their investment considerations because the current ratio affects stock returns. The higher the current ratio, the more liquid the company is, which means the company has the ability to meet its short-term obligations. This will increase the demand for business shares.

The results of this study are in line with previous studies conducted by Nurmia (2021), Wijayanti (2022), Fatricia Rofalina (2023) and Yuli Rien (2023) stating that CR has a positive effect on stock returns. However, the results of this study are not in line with research conducted by Sukarno (2023), Wahyuningsih (2019), Wijayanti (2022), and Zul Hadri (2021) stating that CR has a negative effect on stock returns.

The Effect of Activity on Stock Returns

Based on the results of the study, it states that the activity ratio proxied by TATO (total asset turnover) has a positive effect on stock returns. This is proven based on the Tcount value = 0.7310 < Ttable = 1.980 and probability value = 0.000 < 0.05 in the t-test. In LQ45 companies, the average TATO value fluctuated throughout 2018-2022 and tended to increase in 2022 compared to the previous year.

Several companies are able to use all their assets optially to generate sales and make a profit. The greater the total assets turnover, the better because the more efficiently all assets are used to support sales activities. This shows that the company's performance is getting better so that it can increase the company's profit. The company's ability turns out to provide a positive signal that the company's condition is stable and attracts investors. So it can be concluded that total asset turnover has a positive effect on stock returns. The results of this study are in line with previous studies conducted by Japlani (2020), Nurmia (2021), Alya Tri (2022), stating that the activity ratio has a positive effect on stock returns. However, the results of this study are not in line with the research conducted by Kartadjumena et al. (2022), Sukarno (2023) and Fatricia Rofalina (2023), stating that total asset turnover has a significant negative effect on stock returns.

The Effect of Inflation in Moderating the Profitability on Stock Returns

The results of the MRA test for the effect of the profitability variable proxied by return on assets on stock returns with inflation as a moderating variable obtained a probability value of 0.7592, which is greater than > α (α = 0.05) so that H1 is rejected. So, it can be concluded that the inflation variable is not able to moderate the effect of profitability on stock returns obtained by investors from investing in LQ45 companies listed on the IDX for the 2018-2022 period.

The results of this study indicate that rising or falling inflation is not able to strengthen or weaken the relationship between return on assets which has no effect on stock returns. This is due to the fact that investors do not react to changes in the inflation

rate, so inflation will not affect the relationship between return on assets and stock returns, therefore, inflation in this study cannot moderate the effect of return on assets on stock returns. The results of this study are in line with previous studies conducted by Ayuningrum (2021) and Wijayanti (2022), stating that inflation is unable to moderate ROA on stock returns. However, the results of this study are not in line with research conducted by Awaluddin (2011) and Ningsih (2014), stating that inflation as a moderating variable can moderate (strengthen) the relationship between profitability and stock returns.

The Effect of Inflation in Moderating the Leverage on Stock Returns

The results of the MRA test for the effect of the leverage variable proxied by DER (debt to equity ratio) on stock returns with inflation as a moderating variable obtained a prob value of 0.7327, which is greater than > α (α = 0.05) so that H1 is rejected. So, it can be concluded that the inflation variable is not able to moderate the effect of leverage on stock returns obtained by investors from investing in LQ45 companies listed on the IDX for the 2018-2022 period.

The results of the study indicate that the relationship between DER which has no effect on stock returns cannot be strengthened or weakened when inflation rises or falls. Increasing inflation causes the use of debt to be higher than the use of capital, so that the company's DER value increases. A high DER value is a burden for the company because it will create long-term liabilities, making investors not interested in investing in the business. inflation in this study was not able to moderate the effect of DER on stock returns. The results of this study are in line with previous studies conducted by Ayuningrum (2021) and Wijayanti (2022), stating that inflation is unable to moderate DER on stock returns. However, the results of this study are not in line with the research conducted by Rizky Zakariyya (2020) and Suandi (2023), stating that inflation as a moderating variable can moderate (strengthen) the relationship between the leverage ratio and stock returns.

The Effect of Inflation in Moderating the Liquidity on Stock Returns

The results of the MRA test for the effect of the liquidity variable proxied by the current ratio on stock returns with inflation as a moderating variable obtained a prob value of 0.1237, which is greater than > α (α = 0.05) so that H1 is rejected. So, it can be concluded that the inflation variable is unable to moderate the effect of liquidity on stock returns obtained by investors from investing in LQ45 companies listed on the IDX for the 2018-2022 period.

The results of this study indicate that the relationship between the current ratio which has a negative effect on stock returns cannot be strengthened or weakened when inflation rises or falls. Investors respond to information that the company's financial performance, especially liquidity (current ratio), is in good condition. However, investors do not respond to changes in the inflation rate, so inflation does not affect the relationship between the liquidity ratio and stock returns, therefore, inflation in this study cannot moderate the effect of the liquidity ratio on stock returns. The results of this study are in line with previous studies conducted by Ayuningrum (2021) and Wijayanti (2022), stating that inflation is unable to moderate CR on stock returns.

However, the results of this study are not in line with research conducted by Wahyuningsih (2019), stating that inflation as a moderating variable can moderate (strengthen) the relationship between the liquidity ratio and stock returns.

The Effect of Inflation in Moderating the Activity on Stock Returns

The results of the MRA test for the effect of the activity variable proxied by TATO (total assets turnover) on stock returns with inflation as a moderating variable obtained a probability value of 0.4343, which is greater than > α (α = 0.05) so that H1 is rejected. So, it can be concluded that the inflation variable is not able to moderate the effect of the activity ratio on stock returns obtained by investors from investing in LQ45 companies listed on the IDX for the 2018-2022 period.

The results of this study indicate that the relationship between activities that have a positive effect on stock returns cannot be strengthened or weakened when inflation rises or falls, so it can be concluded that in LQ45 companies, services or goods sold by the company are still needed by the community and are not affected by inflation in the community. In addition, inflation is not the only external factor of the company; therefore, there may be other external factors that can affect the relationship between TATO and stock returns. The results of this study are in line with previous studies conducted by Ayuningrum (2021) and Wijayanti (2022), stating that inflation is unable to moderate TATO on stock returns. However, the results of this study are not in line with the research conducted by Japlani (2020), stating that inflation as a moderating variable can moderate (strengthen) the relationship between activity and stock returns.

In the process of achieving the objectives of this study, there are many shortcomings and limitations. Limitations to provide an in-depth picture of the problems raised, especially in terms of selection, collection, and processing of data related to time and research costs. For further researchers, it is expected to optimize methods manage resources effectively, and collaborate with supervisors or other researchers.

6. Conclusions

This study found a positive and significant effect between liquidity and stock returns. A positive and significant effect also occurred between activity and stock returns. However, profitability and leverage found a negative and significant effect on stock returns. Inflation was not able to be used as a moderator of the relationship between profitability, leverage, liquidity and activity on stock returns in companies actively listed in the LQ-45 on the Indonesia Stock Exchange for the 2018-2022 period.

Further research is expected to add other variables outside those used in this study to compare investor investment decisions. In addition, it is expected to increase the scope of research on the same topic, namely Price earning ratio (PER), net profit margin (NPM), book value ratio per share (BVPS), and other financial performance variables. Further researchers are advised to conduct research on other companies such as IDX80 which have the same criteria as the criteria of the LQ45 index with a total of 80 companies**.**

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