



## **Effect Of Liquidity and Profitability on Stocks Return with Inflation as a Moderating Variable in Manufacturing companies listed on Indonesia Stock Exchange**

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### **Abstract**

*This study aims to determine the effect of liquidity as proxied by the current ratio and profitability proclaimed by return on equity on stock returns with inflation as a moderating variable. The sample of this research is 12 manufacturing companies in the food and beverages subsector which are listed on the Indonesian stock exchange for the period 2010- 2018 using the purposive sampling method. From the data processing, partial test get that result liquidity proxied by the current ratio has no effect on stock returns, while the profitability variable proxied by return on equity has a positive and significant effect on stock returns, while the moderate regression analysis test is carried out to obtain inflation results as a moderating variable. Unable to moderate the relationship between liquidity and profitability variables on stock returns.*

**Keywords : Liquidity, Profitability, Inflation, Stocks Return**

### **INTRODUCTION**

Those who have additional funds (surplus) are easier to invest in the current era of globalization. Investing in the capital market is one of them. A capital market is a gathering place for capital market participants. With this, parties who need funds (companies or government) and parties who have funds (investors). Trading long-term financial instruments, namely bonds, stocks, warrants, rights, mutual funds, as well as other derivative instruments, namely options, futures, etc., is an activity in the capital market. Shares are capital market securities traded on the stock exchange. The activity of issuing shares is aimed at raising funds through investment activities in the context of investment, financing industrial operations, and expanding the company's business.

The essential purpose of capital market investment activities is to earn a return. Investors use approaches to achieve optimal returns, such as analyzing stock trades or examining other economic data related to returns. The level of profit that investors get from

a stock investment is referred to as stock returns (Jog, 2017). There is hope to get a profit or increase in investment value and the level of securities in each long-term or short-term investment activity so that logically investors will always expect stock returns based on the investment consequences they experience. The consequences of investment activities are called returns. Stock return is an aspect that motivates investors to invest their capital and appreciation for the courage of investors to bear or feel the effects on investments that have been tried before.

Investors who invest in stocks want to choose companies with high returns. Companies with high rates of return are considered to be companies with high returns good financial performance. The stability of industrial stock returns can increase investor confidence in investing in the company. Investors need to pay attention to the basic state of the company when conducting investment activities. According to Husnan (2003), conducting fundamental analysis is a step that can be done when taking Investment decision. One of the main factors considered by financial proponents is the proportion of liquidity. Bambang Riyanto (2010:25) states that "the proportion of liquidity is related to the problem of an organization's capacity to fulfillment of its monetary commitments that need to be fulfilled immediately. The amount of payment methods (liquid instruments) that an organization has at any time is the payout power of the organization concerned. Overall, the liquidity proportion is a proportion that can be used to measure how much the organization's capacity to manage short-term commitments will develop. timely monetary commitment implies that the organization is in a "Liquid" state.

Sawir (2005:9) also explains "a low CR will bring a reduction in the financial exchange costs of the organization concerned, but a high CR is not good because in certain circumstances it indicates a ton of inactive assets (small actions) which will thus reduce capacity to benefit the organization." For this situation, the organization should have the option of using appropriate assets to increase the organization's profits but not reduce the organization's capacity to meet its temporary commitments.

Another important component is the proportion of Profitability. In this review, benefits are proxied by Return On Equity (ROE). Profitability Proportion is the proportion that shows the organization's capacity to create benefits (Harahap, 2010:304). This proportion is very considered by financial investors and investors because it is related to the cost of shares and the return that will be obtained from the business they make. In the sense that in fact, an element strives to create great benefits so that it can generate benefits to develop substance and develop business practice organization and to attract financial backers to follow suitability of the organization's activities. Financial backers will place their capital in organizations that have high productivity because funders will donate their capital and expect benefits in the completed business training (Prihatini, 2009:20). Productivity is a method for determining the organization's achievement in obtaining benefits at the level of agreement, resources, and existing capital.

The main goal of the company is to make a profit, assuming it is related to stock returns or the rate of return on protection, it implies that financial backers will place their

capital in organizations that have stable profits because financial backers will contribute capital and expect benefits in the exercise business they are doing (Prihatini). , 2009:20). Extended benefits indicate that the organization's presentation is improving and the financial backer or investor will benefit (return on stock). A productive organization will be an attraction for financial backers and financial backers are expected to place their assets in the organization. The more attention-grabbing, the more financial backers will need the organization's part. Assuming that there is a lot of interest in the organization's portion, the cost of bidding will increase. Natarsyah (2000) explains that the increase in the cost of shares affects the increase in returns obtained by financial supporters because the return on shares is the difference between the current cost of shares and the cost of past shares.

According to Samsul (2006:200), there are two factors that influence the emergence of speculation, namely internal elements of the organization and factors outside the organization. Organizational internal factors include the quality and prominence of administration, capital design, and organizational construction. External elements influencing returns are monetary and monetary-related arrangements, advances in modern fields, such as expansion.

Inflation is an external factor that can be used to predict returns (Suyanto, 2007: 19). Inflation is a macroeconomic variable that can have an impact on returns. A country's inflation rate will reflect investment risk, as well as this, will have a significant impact on the willingness of investors to engage in investment activities. High inflation conditions affect the increase in the price of some goods or raw materials, which increases production costs and reduces the number of requests, resulting in sales shrinkage, which reduces the company's income and has a negative impact on the expected rate of return. Based on the description it can be said that inflation does not only affect stock returns but also affects company profitability. Thus, an increase in inflation can lower the level of profitability and stock returns expected by investors.

According to Tandelilin (2003), inflation increases the company's revenue and costs. A greater increase in production costs in the price increase that can be enjoyed by the company will result in a decrease in company profitability, on the contrary, if the company's costs are lower at the price enjoyed by the company (producer), the company's profitability will increase. Stock prices and investors' willingness to invest will be affected by changes in industry profitability.

Based on the results of research conducted by Alfi Nur Latifah (2020) his research proves that liquidity in the Proxy Current Ratio has no effect on stock returns, but other research conducted (Aminar Sutra Dewi & Ijratul Fajri, 2019) found that liquidity has a positive influence not significant to stock returns. The same thing was found in research conducted by Gusti Ayu Ika Yuni Nandani and Luh Komang Sudjarni (2017) which found that liquidity has a significant positive effect on stock returns.

Based on the results of the research conducted (Rosmiati Tarmizi, Herry Goenawan Soedarsa, Indrayenti, Deasy Andrianto, 2018) where the research results state that profitability has a positive and significant effect on stock returns. The same thing was also

found in the research conducted (Ni Nyoman Sri Jayanti Perwani, Devi Luh, Sri Artini, 2019) which showed that Profitability had a positive influence on Stock Return. However, these results are not based on research which was carried out by Novianna Siska, Restu Agusti, Yessi Muthia Basri (2014) in their research partially, got the results that the Return On Equity (ROE) variable did not affect Stock Return.

Based on the results of research conducted by Eva Purnamasari, Ardiansyah Japlani (2019). Proving that the inflation rate in the light category can moderate or strengthen the influence of financial performance on stock returns. Other research on the effect of inflation on stock returns Utami and Rahayu (2003) found that inflation has a negative and insignificant effect on stock returns. supported by Prihatini (2009). Hardiningsih et al. (2002) and Suyanto (2007) state that inflation has a positive and significant effect on stock returns.

Based on the foregoing, the formulation of the problem in this study is whether there is a significant influence on the relationship between Liquidity and Profitability on Stock Returns, and the inconsistency that Inflation can moderate the relationship between Liquidity and Profitability on Stock Returns. Due to some differences in the results of previous research, the researcher includes the Inflation Variable as a variable that moderates the relationship between liquidity and profitability on stock returns and also because the inflation rate in a country is one aspect that has a large impact and can affect economic activities in Indonesia. Indirectly, it can also affect long-term economic activities, so the researchers hope that the research conducted can prove that inflation does have a large impact and influence on national economic activities and company operational activities which have an impact on rising or falling stock market prices in Indonesia.

There is a difference between theory and research results, which should be if the current ratio and roe increase, then RS will also increase. But what happens is the opposite, where the value of CR decreases while the value of RS increases. This is a research question and requires further research. The purpose of this study was to analyze the effect of CR and ROE on RS which was moderated by the inflation variable.

## **LITERATUR REVIEW AND HYPOTHESIS**

The theory used in this research is signaling theory. Where this theory explains that internal parties such as management will give signals to outsiders, namely investors, that the company is in good condition so that investors will assess and have an interest in investing in the company.

### **Stock Return**

Shares The result of a capital market investment is referred to as a return. The difference between the selling price or the current price, namely the purchase price or the initial price for the period, is a stock return. Returns are realized returns or expected returns that have not yet occurred but are expected to occur in the future. Returns that have been calculated using historical data. Realization Returns are so important because they serve as a

barometer of company performance. These returns can also be used to calculate future returns on expectations and risks (Jogiyanto 2007: 195). According to Kasmir (2010) Stock return is the return of shares, namely the results on the part of the broker or company to investors who have made the company's investment due to something. In the two definitions above, it can be concluded that stock returns are the results or profits obtained from stock investments. If it is positive, it means that the investor gets a profit or capital gain. Meanwhile, if it is negative, it means a loss or capital loss.

#### Liquidity (Current Ratio)

The liquidity ratio according to Harahap (2009:301) is a ratio that measures the company's capacity to fulfill short-term obligations. Liquidity Ratio, according to Ryanto (2001:331), is a ratio that measures the company's capacity to fulfill short-term financial obligations. Meanwhile, Sudana (2011) defines the liquidity ratio as the ratio used to assess the company's capacity to fulfill short-term financial obligations. Consequently, the Liquidity Ratio represents the company's capacity to pay or meet short-term obligations. The greater the liquidity of a company, the greater the impact on the company.

#### Profitability (Return On Equity)

Profitability analysis is a financial ratio by measuring the company's capacity to earn a profit or profit, namely a percentage measure to understand the extent to which the company can generate profits or profits. Generally, the profit generated by the company comes from sales and investments made by the company. According to Sujoko and Soebiantoro (2007), profitability is the most important factor that investors need to consider in making investment decisions. High profitability indicates that the company's prospects are quite promising, so that investors will respond positively to the signal. So In conclusion, the profitability ratio is the ratio used to evaluate the company's capacity to maximize profits. This ratio describes the effectiveness of the company's management when generating profits at a certain time.

#### Inflation

In the financial aspect, inflation is a comprehensive process of increasing costs that always associated with the market component. Inflation is caused by variables, namely the increase in public utilization, the abundance of liquidity in the market that encourages utilization, or hypotheses, as well as due to the distribution of merchandise that is not smooth. (Boediono, 2011). Expansion affects the economy through changes in wages and abundance, as well as changes in the level and productivity of goods. Uncertain expansion generally benefits account holders, profit seekers, and risk-taking theorists while harming lenders, regular salary collectors, and risk-averse financial backers. Expansion expands revenue and creation costs; Assuming the increase in costs continues to exceed the cost increase that can be enjoyed by the organization, organizational productivity will decrease.

Inflation is classified into four types, specifically (Amilin, 2019):

- a. Mild inflation is inflation that occurs when the increase in costs is below 10% per year

- b. Moderate inflation is inflation that occurs when costs increase by 10% - 30% every year
- c. Heavy inflation is inflation that occurs when the increase in costs is at 30%-100 percent
- d. Hyperinflation is uncontrolled inflation, occurs when costs increase above 100 percent a year.

#### HYPOTHESIS

The Current Ratio (CR) which is a proxy for the Liquidity Ratio includes the extent to which current assets cover current liabilities. The better Current Ratio reflects liquidity company, the greater its ability to meet short-term obligations. If a company generates more liquidity, it means it can pay off its maturing obligations, which will affect the stock price, resulting in higher stock returns.

The Current Ratio (CR) as a proxy for the Liquidity Ratio shows the extent to which current assets cover current liabilities. The better the Current Ratio reflects the company's liquidity, the greater its ability to meet its short-term obligations. If a company generates more liquidity, it means it can pay off its maturing obligations, which will affect the stock price, resulting in higher stock returns. Empirical evidence of the relationship between liquidity and stock returns (Ulupui, 2007) shows that liquidity has a positive and significant effect on stock returns. Another study conducted by I Gusti Ayu Ika Yuni Nandani and Luh Komang Sudjarni (2017) found that liquidity had a positive and significant effect on stock returns.

The higher the ROE, the more likely the company will be able to provide significant income to its shareholders. Profit (Profit) will be an indicator used by shareholders to evaluate the company. As a result, if the company's profit (profit) is small, then the profit sharing by shareholders will also be small, thus affecting stock returns. The greater the company's profits, the greater the company's ability to attract investors. The level of ROE is positively correlated with stock returns, meaning the higher the ROE ratio, the higher the stock returns. A high return on equity (ROE) indicates that investors will receive higher returns.

The level of ROE is positively correlated with stock returns, meaning that the higher the ROE ratio, the higher the stock returns. A high return on equity (ROE) indicates that investors will receive higher returns. Empirically the relationship between Profitability and Stock Return was investigated in his research (Rosmiati Tarmizi, Herry Goenawan Soedarsa, Indrayanti, Deasy Andrianto, 2018) and later in his research (Ni Luh Lina Mariani, Fridayana Yudiatmaja, Ni Nyoman Yulianthini (2016), where the results showed that profitability has a positive and significant effect on stock returns.

Inflation is a common and persistent vertical pattern in labor and product costs. An increase in the cost of a few products alone cannot be called an expansion unless the increase in value extends to different merchandise. Inflation is one of the elements that affect the development of stock values when viewed in macroeconomic conditions (Ningsih and Waspada, 2018). Research led by Hanafiah, et al. (2015) show that To some extent inflation has major detrimental consequences on inventory costs. Financial backers will consider the level of inflation that occurs to get a return on stock, although financial backers accept the

company's main needs will provide extraordinary results. In light of the foregoing description, the speculations put forward are:

H<sub>1</sub> : Liquidity has a positive effect on stock returns

H<sub>2</sub> : Profitability has a positive effect on stock returns

H<sub>3</sub> : Inflation can moderate the relationship of the Current Ratio variable to stock returns.

H<sub>4</sub> : Inflation can moderate the relationship of the Return On Equity variable to stock returns.

The hypothesis that has been proposed is described in the research model in Figure 1

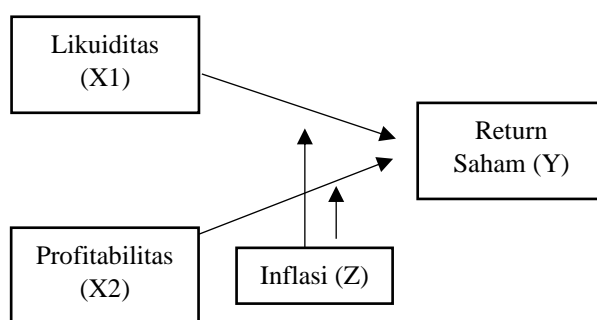


Figure 1. Research Model

## RESEARCH METHODS

### Data Types and Sources

The data used in this research is quantitative. And Information Sources This study uses secondary data sources originating from the annual financial statements of Food and Beverage Sub-Sector companies listed on the IDX from December 31, 2010 to September 2018. Sources of data include the Indonesia Stock Exchange ([idx.co.id](http://idx.co.id)) and Indonesia Capital Market Directoryc (ICMD).

### Population and Research Sample

The population of this study is the Food and beverage sub-sector companies listed on the Indonesia Stock Exchange in 2010-2018. There are 14 companies ([www.idx.com](http://www.idx.com)) and ICMD. Sampling using the purposive sampling method, namely several predetermined criteria, then 12 companies were selected as samples from this study. The population used in this study is the Food and Beverage Sub-Sector companies that have gone public and are listed on the BEI, namely the research population of 18 Food and Beverage companies. This is based on several reasons concerning the availability of data, and profits generated for five consecutive years (2010-2018). Companies listed on the IDX mean that their financial

statements have been published so that data availability can be met. Because the manufacturing sector company is a large and stable company

#### Variable Operation

##### 1. Liquidity (Current Ratio)

Current Ratio is a ratio that measures the company's capacity to pay its obligations short-term or those that have matured in one year, which are calculated by the formula:

$$CR = \frac{\text{Current Assets} \times 100\%}{\text{Current Debt}}$$

The liquidity ratio is a ratio that can be used to assess the company's ability to pay off short-term obligations that will soon mature. When a company is able to meet its financial obligations on time, it is said to be "liquid."

##### 2. Profitability (Return On Equity)

(ROE) or return on equity is a ratio to measure net income after tax on own capital. ROE is calculated using the formula:

$$ROE = \frac{\text{net profit}}{\text{Total Equity}}$$

This ratio is closely monitored by potential investors or shareholders because it is related to stock prices and investment returns.

##### 3. Stock Return (Y)

Stock return is the return obtained from financial backers from the difference between selling costs and bidding price tags are added to the profit. Return the stock is estimated using the accompanying calculation:

$$R_t = \frac{P_t - (P_{t-1}) \times 100\%}{P_{t-1}}$$

Information :

R = Stock Return

P<sub>t</sub> = stock price period t

P<sub>t-1</sub> = stock price period t-1

##### 4. Inflation (Z)



Inflation is a continuous pattern of inflation in daily costs. An increase in the price of some products is not called an expansion, unless the increase accounts for most of the costs of the different products. The expansion information used is information obtained at the Central Statistics Agency (BPS) with the annual expansion that occurred in Indonesia in 2017, 2018, and 2019. The expansion rate indicated by the CPI can be determined using the formula:

$$\text{CPI} = \frac{P \times 100\%}{P_0}$$

Information :

P = Current Price

P<sub>0</sub> = Price in base year

Changes in the Consumer Price Index (CPI) show the prices of packages of goods and services purchased by the general public on a regular basis.

#### Method of collecting data

Data collection was carried out by tracing the selected annual reports as samples. The data sources used were taken from secondary data available on the Indonesia Stock Exchange (IDX) website ([www.idx.co.id](http://www.idx.co.id)) and ICMD.

#### Data analysis technique

In this study, the data analysis techniques used were multiple linear regression analysis, Moderated Regression Analysis (MRA) test, partial test and classical assumption test.

#### Descriptive Statistics Test

Used to determine the level of disclosure of Liquidity, Profitability, Inflation and Stock Returns in Manufacturing companies listed on the IDX.

#### Classic assumption test

##### 1. Normality Test

The normality test is a test tool used to test the regression model whether the residual variables are normally distributed or not, using the Kolmogorov-Smirnov test. The criteria for this test study are: if the results of the calculation of the data (Sig) are significant > 5%, then the data normally distributed, if significant, the result of the calculation of the data (Sig) < 5%, then the data not normally distributed.

##### 2. Multicollinearity Test

This test has the aim of testing whether the regression model found a correlation between the independent variables or not. To test whether the occurrence of multicollinearity can use Tolerance Value or Variance Inflation Factor (VIF). If multicollinearity occurs, the Tolerance value < 0.10 or VIF > 10.

##### 3. Heteroscedasticity Test

Heteroscedasticity test is a test tool used to test whether in the regression model there is an inequality between the variance and residual values from one observation to another. In this study using the Glejser test.

#### 4. Autocorrelation Test

The autocorrelation test is a test tool used to test in the linear regression model whether there is a correlation between the confounding errors in period t, namely the previous confounding error (t-1).

#### *Partial Test (T Test)*

This t test is used to test whether the independent variable partially has a significant effect on the dependent variable.

#### *Moderated Regression Analysis (MRA) Test*

Moderated Regression Analysis (MRA) test is an analysis that contains an element of interaction. which is used to test the effect of Current Ratio (CR), Return On Equity (ROE) to stock returns, namely the level of inflation into moderation. Statistical equation used is:

Model Regression Equation

$$Y = a + b_1X_1 + b_2X_2 + b_3Z + b_4 (X_1*Z) + b_5 (X_2*Z) + e$$

Information :

Y = Stocks Return

$\alpha$  = Koefisien konstanta

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Koefisien regrestion

Z = Inflation

X1 = Liquidity

X2 = Profitability

e = Error term

## RESULT AND DISCUSSION

Descriptive statistics provide an overview or description of data seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (Ghozali, 2016:19).

Descriptive statistical analysis in this study was used to calculate the minimum value, maximum value, mean value, standard deviation of the variables Current Ratio (CR), Return On Equity (ROE), Inflation, and Stock Return on food and beverage companies listed on the Indonesia Stock Exchange in 2010-2018.

Table 1. Descriptive

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Stock Return</b>	108	-75,53	287,50	28,0929	57,14059
<b>Liquidity</b>	108	51,39	863,78	222,4704	153,40560
<b>Profitability</b>	108	-24,87	184,10	23,2119	32,78492
<b>Inflation</b>	108	3,02	8,38	4,9889	2,13333
<b>Valid N</b>	108				

### Stock returns

Based on the information in table 4.1, it is very clear that the normal value of stock returns of manufactured organizations in 2010-2018 rose from - 75.53% to 287.50%, indicating that there was a positive change due to normal stocks. returns of 28.09%. This describes that there is a very large gap between the base return value and the highest return value made during the period 2010 to 2018, as a general rule, the cost of stock (closing cost) of companies that examined in this study has expanded. The return on shares had the highest (largest) price in 2011 to reach 287.50. The very large return value occurs due to the increase in inventory costs from year to year so that subsequent returns also increase more than other assembly companies. The most reduced value (least) in 2017 was - 75.53. The standard deviation of stock returns is 57.14%, which exceeds the normal value of stock returns of 28.09%, with a very large deviation of information indicating a high change in information on stock return variables during the observation period.

### Liquidity (Current Ratio)

Table 4.4 states that the amount of data is 108. The liquidity variable has a minimum value of 51.39 in 2014. The maximum value is 863.78 in 2017. A very high liquidity value indicates capacity Paying short-term debt that is quite good is that his current wealth is 863.78 times his current debt. On the other hand, a low liquidity ratio indicates a low capacity to pay off short-term debt. The average value of the company's liquidity is 222.47 and the standard deviation is 153.40. Shows that the company's average liquidity studied is quite homogeneous or the data spreads around the mean.

### Profitability (Return On Equity)

The average value of ROE in the observation period is 23.21%. The minimum ROE value is -24.87% in 2017, while the maximum ROE value is 184.10% in 2012. The ROE value of 184.10% or 18.410 implies that every IDR 100 of organizational capital can generate a profit

of IDR 18,410. A high ROE value indicates that the organization's ability to create high profits so that the rate of return to the owner of capital is also high. The value of the standard deviation is 32.79%, indicating that the value of each organization is spread across accessible qualities, not grouped at a certain value. With a normal value of 23.21% smaller than the value of standard deviation of 32.79, indicating that the normal deviation distance is more prominent than the value of the normal variable or the width of the information spread, and it implies high stakes and market indecision. Information on ROE variables during the study period. Based on this review information, some organizations have very high ROE and organizations that have low ROE, this indicates that there is a functional adequacy between the benefits generated and the complete value used by manufacturing companies.

### Inflation

The average value of inflation is 4.98%, meaning that inflation that occurred in 2010-2018 was a form of inflation in the mild category because inflation was less than 10%. The maximum value of inflation that occurred in 2013 was 8.38% and the minimum value of inflation occurred in 2013 2016 was 3.02%. The cause of the high inflation was the increase in fuel prices which caused the prices of several other commodities to rise. The standard deviation value for inflation is 2.13%, which is smaller than the average inflation rate, which is 4.98%, this includes data on inflation variables that have a small distribution.

### Normality Test

Table 2. Normality test

		Unstandardized Residual
N		61
Nomor Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	2,65092450
Most Extreme Differences	Absolute	,082
	Positive	,066
	Negative	-,082
Test Statistic		,082
Asymp. Sig. (2-tailed)		,200 <sup>c,d</sup>

a. Test distribution is Normal.  
b. Calculated from data.  
c. Lilliefors Significance Correction.  
d. This is a lower bound of the true significance.

Initially, the amount of data tested was 108 observational data. However, after being tested, the data was not normally distributed, namely the significance value  $0.000 < 0.05$ , until the researcher deleted the data with transformations and outliers. So that in table 2, we

get the remaining 61 observation data, namely the significance value is  $0.200 > 0.05$  so that this data can be said to be normally distributed.

### Multicollinearity Test

Table 3. Multicollinearity Test

Model	Unstandardized Coefficients		Collinearity Statistics	
	B	Std. Error	Tolerance	VIF
1 (Constant)	7,152	6,706		
SQRT_X1	-,249	,250	,158	6,313
SQRT_X2	,288	,487	,211	4,728
SQRT_Z	,048	1,840	,180	5,541
X1_Z	,001	,001	,107	9,362
X2_Z	-,002	,006	,195	5.137

Dependent Variable: SQRT\_Y

In table 3, it can be seen that the value of the Liquidity VIF (X1) is 6.313, the Profitability VIF value (X2) is 4.728 and the Inflation VIF value is 5.541 where these three values are  $< 10$  and the Liquidity tolerance value is 0.158, the Profitability Tolerance value is 0.211 and Inflation Tolerance value is 0.180 where the overall value is  $> 0.10$  so that the data can be said to not occur or there are no symptoms of multicollinearity.

### Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5,243	6,387		,821	,415
SQRT_X1	-,367	,258	-,770	-1,422	,161
SQRT_X2	,558	,610	,538	,915	,364
SQRT_Z	-,743	1,949	-,194	-,381	,705
X1_Z	,003	,002	,795	1,270	,209
X2_Z	-,014	,013	-,670	-1,124	,266

Dependent Variable: ABS\_RES

Based on table 4 above, we can see that the sig value of the Liquidity variable (0.161), Profitability variable (0.364) and Inflation (0.705) has a sig value above 0.05. With this it is concluded that there is no heteroscedasticity in the regression model of this study.

## Autocorrelation Test

Table 5. Autocorrelation Test

Model	R	Adjusted R Square	Durbin-Watson
1	,288 <sup>a</sup>	,083	1,965

a. Predictors: (Constant), X2\_Z, X1\_Z, SQRT\_Z, SQRT\_X1, SQRT\_X2  
b. Dependent Variable: SQRT\_Y

Based on the results of the autocorrelation test in Table 4.6 above, it is known that the model under study has several observations, namely 1,965, the number of independent variables is 5 and the level of significance is 5%. The lower limit value (dl) is 1.4146, namely the upper limit (du) is 1.7671. The results of the Durbin Watson test were statistically 1.965 in the area  $du < dw < 4 - du$  ( $1.7671 < 1.965 < 2.2329$ ) or in the area where there was no autocorrelation. With this it is concluded that there is no autocorrelation in the regression model used. Until the data in this study have met the requirements of the classical assumption test, namely the data autocorrelation test.

## Hypothesis test

Table 6. Hypothesis Test

Model	T	Sig.
(Constant)	1,310	,196
SQRT_X1	1,595	,116
SQRT_X2	3,758	,048
SQRT_Z	-,671	,505
X1_Z	1,402	,167
X2_Z	-,749	,457

Dependent Variable: SQRT\_Y

Results and Discussion In this study, the results of data processing were obtained, namely the SPSS program assistance that had met the requirements and criteria.

The first test was carried out to determine the effect of the Current Ratio on stock returns. The results of the analysis included a significance value of 0.116. This shows that liquidity has no significant effect on the value of stock returns. Liquidity does not affect stock returns, because high liquidity does not ensure that organizational obligations are expected. The current proportion of organizations that are too high also indicates that the organization is not prepared to monitor cash to generate cash, which can reduce the organization's useful capacity. It also shows that the current high proportion is not really indicates a good organizational condition. This can happen when the current proportion is high, but the use of money does not go well as expected, it will give a negative sign for financial backers so that there is no expansion in stock returns. This can be seen from the very large proportion of current assets so that the amount of receivables and cash inventory is too high. This results in a demand stock declines which results in a decrease in stock prices and returns received

will also be a little So it can be concluded that the greater the liquidity is not necessarily guarantee high stock returns.

The second test is carried out to test the effect of Return On Equity on stock returns. The results of the analysis include a significance value of 0.048. This states that return on equity has a positive and significant effect on return share. The increasing profitability of the company states that the company has good company performance in terms of capital management so that it can generate high corporate profits for shareholders, companies that can generate large profits are considered to be profitable companies. Profitable companies are also considered to have attractiveness to investors and potential investors who will invest their capital, this creates a large demand for company shares which causes high stock prices so that the stock returns received by shareholders are even higher.

The third test is carried out to test the moderating of inflation in the relationship between liquidity and stock returns. The results of the analysis include a significance value of 0.167. This implies that inflation is unable to moderate the relationship between Liquidity to Stock Returns, this shows that Inflation cannot increase Stock Returns when Liquidity is high and Inflation cannot reduce Stock Returns when Liquidity is low. The proportion of liquidity is greater in influencing stock returns than inflation. This means when executing In making investment decisions, investors tend to look at the development of liquidity more than inflation, so that inflation is not able to moderate the effect of liquidity on stock returns. According to the descriptive inflation rate in this study is classified as quite low, namely 4.98%.

The fourth test was carried out to test the moderating of inflation in the relationship between profitability and stock returns. The results of the analysis included a significance value of 0.457. This implies that inflation is unable to moderate the relationship between Profitability to Stock Return, Inflation cannot moderate the relationship between Profitability to Stock Return, this implies that Inflation cannot increase Stock Return when Profitability is high and Inflation cannot reduce Stock Return when Profitability is low. The proportion of profitability is greater in influencing stock returns compared to inflation. This means in carrying out investment decision making investors tend to see the development of profitability in this case is profit or profit compared to inflation, so that inflation cannot moderate the effect of profitability on stock returns. Descriptively, inflation in this study is classified as quite low, namely 4.98%.

## **CONCLUSIONS AND SUGGESTIONS**

The measured liquidity, namely the current ratio, does not have a positive influence on stock returns. Profitability measured, namely return on equity has a positive influence on stock returns. Inflation cannot moderate the relationship between liquidity and stock returns. Inflation cannot moderate the relationship between profitability and stock returns.

The results of this study have several limitations, namely: The researcher was only able to examine 2 independent variables, namely liquidity, and profitability, and one moderating variable, namely inflation due to the limited research time and data obtained. Researchers

only get data on manufacturing companies so further research is expected to use samples of other companies besides manufacturing companies. Suggest for the company based on the conclusions and limitations of the study, the researcher will give suggestions, namely: based on the results of research tests that have been carried out, using a proxied liquidity variable, namely the current ratio, results that a high current ratio has not been able to affect the value of stock returns, because the current ratio value is still within safe limits, so the company is expected to continue to maximize the current ratio value so that able to increase the company's stock return.

Based on research that has been carried out using the proxied profitability variable, namely return on equity, it results that the value of stock returns can be influenced by return on equity, therefore it is expected that the company can continue to improve the company's performance and increase profits as much as possible so that it can increase investor confidence to invest in companies that make stock prices increase and the level of The return on shares received by shareholders is also increasing.

Referring to the results of the research that has been carried out, the researcher only uses 2 independent variables, namely the proxy liquidity variable, namely the current ratio and the proxied profitability, namely return on equity, and also only uses one moderating variable, namely inflation, getting the results of the R Square value. is 0.083 or 8.3%, meaning that the relationship between the independent variable to the dependent variable is only 8.3% while the remaining 91.7% is influenced by other factors outside this study, making this study still many limitations so that further researchers are advised to examine other independent variables outside of this research. from the research so that different results are obtained and add or use other moderating variables that are considered capable of moderating the relationship between Liquidity and Profitability variables to stock returns.

Referring to the results of research that has been carried out, it is found that liquidity is not able to increase the value of stock returns so investors need to consider other factors. Profitability is able to influence the increase in the value of stock returns so investors need to consider companies that have high profits so that they are able to provide even high levels of return to investors. Inflation in the low category is not able to affect stock prices and also the rate of return that will be obtained by investors, so investors do not have to worry if inflation occurs, but they also need to be careful and pay attention to the inflation rate that occurs.

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