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EFFECT OF LIQUIDITY, SOLVENCY, PROFITABILITY AND ACTIVITY REGARDING STOCK RETURNS

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ABSTRACT

Returnshares are the value obtained as a result of investment activities. Return is very important as an attraction for investors to invest their investment funds. The aim of this research is to analyze and explain the influence of liquidity, solvency, profitability and activity on stock returns. The number of samples in this study was 23 companies included in the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period. Data collection uses non-participant observation methods. The data analysis technique used is multiple linear regression analysis. The results of the analysis show that liquidity has a significant positive effect on stock returns, solvency has an insignificant negative effect on stock returns, profitability has a significant positive effect on stock returns, and activity has an insignificant positive effect on stock returns.

Keywords: Stock returns; Liquidity; Solvency; Profitability; Activity

INTRODUCTION

Investing in the capital market has now become an alternative activity to gain profits and fulfill one's needs. Investment is a means of increasing the ability to accumulate and maintain wealth. Investment can be interpreted as a commitment to invest a certain amount of funds now with the aim of obtaining a certain amount of profit in the future. Investing means using a certain amount of funds or other resources now, to gain profits in the future (Tandelilin, 2014:2). Shares are one of the most popular investment instruments in the capital market. Companies issue shares to meet their funding needs, while investors buy shares to obtain future profits in the form of dividends or capital gains. Dividends are part of a company's profits distributed to shareholders, while capital gains are the excess difference between the purchase price and the sale price of shares. Issuers that can generate large profits will also increase the returns obtained by investors.

Returnshares are the value obtained as a result of investment activities (Jogiyanto 2010:205). The expected return is in the form of dividends for stock investments and interest income for investments in debt securities. Return is the main goal of investors to get results from investments made by investors. Having a fairly high stock return will make it more attractive for investors to buy these shares. Therefore, to be able to know how much return investors will get, investors need to make predictions so they can know how much return they will get.

Tandelilin (2014:47) suggests that return is one of the factors that motivates investors to interact and is also a reward for investors' courage in bearing the risks of their investments. In short, return is the profit obtained by investors from the funds invested in an investment. Therefore, returns are very important as an attraction for investors to invest their investment funds in the capital market. The level of return obtained by investors is also influenced by many factors including macroeconomics and microeconomics and the company's internal conditions.

In general, there are two analyzes that are often used in stock analysis, namely technical analysis and fundamental analysis. Technical analysis is a technique for predicting the direction of stock price movements and other stock market indicators based on historical market data such as price and volume information (Tandelilin, 2014: 392). Technical analysis assumes that stock prices reflect information shown by price changes in the past, so that changes in stock prices have a certain pattern and this pattern will repeat itself. Investors who use technical analysis usually use charts or computer programs to analyze data. The graph reflects how stock prices are trending, so investors can choose the right time to sell and buy shares. Fundamental analysis is analysis to analyze various factors related to the shares to be selected through company performance analysis, industry analysis, macroeconomic analysis and other analytical methods to support the analysis of the shares to be selected (Hermuningsih, 2012: 194).

This research analyzes the factors that influence stock returns, namely using company fundamental analysis. Company fundamental analysis is used in this research to find out whether a company's shares are worthy of being an investment choice (Tandelilin, 2014:363). Company fundamental analysis can be seen from the company's financial performance. The reason why analyzing financial performance is because by using financial performance you can find out the company's financial condition from various aspects, where this information is very useful for investors who will invest their funds in a company. Analyzing financial performance can be done by changing financial report data into financial ratios. Analyzing financial reports is very useful in understanding and predicting a company's financial performance, while financial ratios are a simple and practical financial planning analysis tool (Tamuntuan, 2015). Fundamental analysis has several financial ratios that can reflect the financial condition and performance of a company. Financial ratios can be used as a basis for useful information by both internal and external parties of the company. According to Susanti & Misdiyono (2018), ratio analysis explains the relationship between relevant variables which can be used to assess financial conditions and can be used as a basis for consideration from time to time. Investors use financial ratios as a consideration factor in making investment decisions because financial ratios are more flexible and simpler so they are able to provide more accurate answers in investment decisions that will be made. Financial ratios that can be used in analyzing shares and as a basis for consideration in investment decisions are liquidity, solvency, profitability and activity ratios.

The liquidity ratio is the company's ability to meet its financial obligations in the short term with available current funds (Wiagustini, 2014). The liquidity ratio is a ratio that shows the company's ability to meet its short-term obligations which are due soon (Hery, 2018:142). In order for the company to always be liquid, the available current funds position must be greater than current debt. Liquidity is a ratio that measures a

company's ability to fulfill its short-term obligations in a timely manner (Hery, 2018:149). One of the liquidity ratios can be measured using the current ratio (CR).

According to Brigham & Houston (2015:134), the main liquidity ratio is the current ratio (CR). CR is used as a measure of liquidity because this ratio is able to show information that shows the higher the amount of current assets compared to current liabilities, the greater the current liabilities will be paid. This ratio is calculated by dividing current assets by current liabilities, which shows how current liabilities are covered by assets that will be converted into cash in the near future. Current assets include cash, marketable securities, receivables, and inventory. Current liabilities consist of accounts payable, short-term notes receivable, long-term debt, taxes and accrued salaries (Brigham & Houston, 2015). Previous research conducted by Herawati & Putra (2018) shows that CR has a positive and significant effect on stock returns. The same research results were also found by Obala & Olweny (2018), Bintara & Tanjung (2019) and Anderson et al (2021) which stated that the current ratio had a positive effect on stock returns.

According to Wiagustini (2014) the solvency ratio is a ratio that measures the extent to which a company is financed with debt. Solvency Ratio is a ratio that shows the extent of a company's ability to fulfill all its obligations (Hery, 2018:142). Solvency is the ability of a company to be financed with debt (Kasmir, 2018: 106). The higher the level of solvency, the higher the composition of the company's debt compared to its own capital. One of the solvency ratios of a company can be measured by the Debt to Equity Ratio (DER).

DER is a ratio used to assess the amount of debt to equity owned by a company (Kasmir, 2018:157). DER measures the proportion of a company's debt to its equity or capital (Hery, 2018:168). DER can be used to measure how much a company uses funding originating from debt in its own capital. The higher the DER, it will reflect the company's relatively high risk. A high DER value will reflect that the company's capital structure utilizes more debt relative to the capital it owns. The higher the DER, it will reflect the company's relatively high risk. Research conducted by Pradnyaningsih & Suarjaya (2022) states that DER has a negative influence on stock returns, Bintara & Tanjung (2019) and Devi & Artini (2019) also state that DER has a negative influence on stock returns.

The profitability ratio is a ratio that shows the company's ability to earn profits or measures the effectiveness of company management Wiagustini (2014). Profitability is the company's ability to generate profits (Hery, 2018:142). This ratio measures the level of acquisition or income generated compared to the level of sales and assets (Sujarweni, 2017:68). The higher the level of profitability shows that the company is able to generate high profits during operations. A high level of profitability also shows that the company has good performance because it is able to generate high profits. One of the profitability ratios can be measured using Net Profit Margin (NPM).

Net Profit Margin(NPM) is a profitability ratio used to measure net profit compared to sales. NPM or often also called sales margin is used to see how much profit can be compared to the company's sales. The greater the company's NPM value shows the company's performance is good in generating net profits through sales activities (Andriyani, 2012). A high NPM value makes investors interested in investing their funds so that share prices increase and cause the share returns obtained by investors to increase. Research conducted by Anwaar (2016) shows the results that NPM has a significant

positive effect on stock returns. This research is also supported by Christi & Munari (2021) who obtained that NPM results have a significant positive effect on stock returns. Mahardika & Artini (2017) in their research also obtained the results that NPM had a positive effect on stock returns.

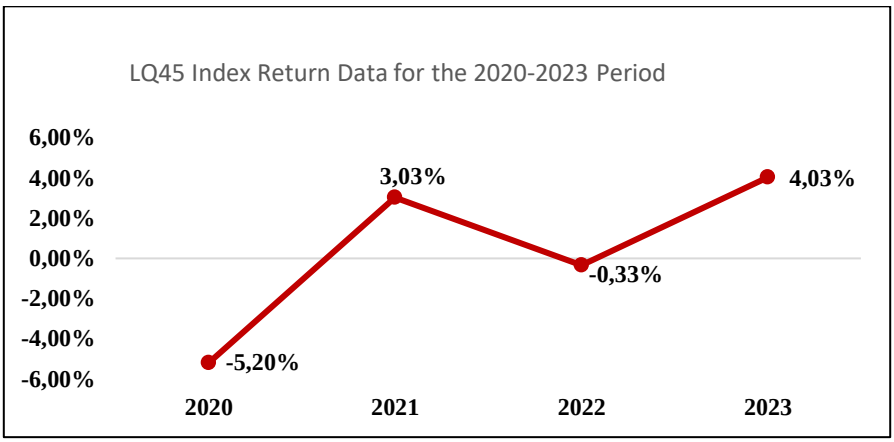
The activity ratio is a measure of a company's level of efficiency in managing company resources in carrying out business operations (Hery, 2018:193). According to Wiagustini (2014) the activity ratio is a ratio that shows the company's ability to maintain the stability of its business so that it can survive and develop independently or measures the level of effectiveness in utilizing company resources. The activity ratio measures the level of effectiveness in using the total assets or wealth owned by the company. The higher the activity ratio, the better the level of utilization of company resources to carry out company activities. The activity ratio can be measured using total asset turnover (TATO).

According to Kasmir (2018:185) total asset turnover or total asset turnover (TATO) is a ratio used to measure how many sales are obtained from each rupiah of assets. TATO is a form of activity ratio, which is used to measure the ability of funds embedded in all assets circulating in a period or the ability of invested capital to generate income. TATO shows the level of efficiency in using the company's overall assets in generating a certain sales volume. A higher TATO ratio means more efficient use of overall assets in generating sales/income. TATO is considered important for creditors and company owners, because it will show whether the use of all assets in a company is efficient or not. Research conducted by Sitohang et al (2019), and Herawati & Putra (2018) shows that TATO has a positive and significant effect on stock returns. The results of the same research conducted by Karjono & Wijaya (2017) found that TATO had a positive and significant influence on stock returns. Mulyono et al (2018) found the same results, namely TATO had a positive and significant effect on stock returns.

The price movement of a share in Indonesia can be known through the share price index on the Indonesian Stock Exchange. The movement of all shares in Indonesia can be seen through the Composite Stock Price Index (IHSG). According to Tandelilin (2014:86) IHSG is an index that uses all listed shares as a price index calculation. If the JCI shows an increase, it indicates that Indonesia's economic conditions are in an improving cycle and vice versa. There are several types of indexes grouped by the Indonesian Stock Exchange, where in 2023 there will be 31 types of indexes (LQ45, IDX30, Kompas100, Bisnis-27, Pefindo25, Sri-kehati, JII, ISSI, Infobank15, Sminfra18, MNC36, Investor33, IDXSMC- com, IDXSMC-liq, I-Grade, IDXBUMN20, IDXHIDIV20, JII70, IDX80, IDXV30, IDXG30, IDXQ30, IDXESGL, IDX-IC, IDXShargrow, ESGKehati, ESGQKehati, IDXLQ45LCL, IDXMESBUMN, MBX, DBX, ABX, Primbank10).

Transaction intensity varies for each index on the Indonesian Stock Exchange. The LQ45 index is the index with the highest transactions on the Indonesian Stock Exchange. LQ45 is an abbreviation for "Liquidity 45," which refers to the 45 shares with the highest liquidity on the Indonesian Stock Exchange. The LQ45 index is an index that measures the price performance of 45 shares that have high liquidity and large market capitalization and are supported by good company fundamentals. According to (Tandelilin, 2014:87) the LQ-45 Index consists of 45 shares on the Indonesian Stock Exchange with high liquidity and large market capitalization and have passed selection according to several selection criteria. The LQ45 index is an index that is often used by investors in choosing

companies because the company's fundamentals are good so they tend to be safer and more profitable and provide positive returns for investment.



Source: IDX and Investing.com

Figure 1. LQ45 Index Stock Return Data 2020 – 2023

Based on the annual return data for shares included in the LQ45 index for the 2020-2023 period that has been obtained (Figure 1), these predictions do not always match the results obtained by investors. LQ45 index return data experiences fluctuations and does not always show positive returns. There are several companies in the LQ45 Index that provide negative returns to their investors. So, investors need to know what factors can influence stock returns in companies listed on the LQ45 Index.

Based on the background of the problem that has been described, an attempt is made to raise the problem to be used as a study to prove the "Effect of Liquidity, Solvency, Profitability and Activity Ratios on Stock Returns in Companies Listed on the LQ45 Index on the Indonesian Stock Exchange".

RESEARCH METHODS

This research uses a quantitative approach in the form of associative causal relationships. The quantitative approach is a research method based on the philosophy of positivism for researching certain populations or samples, collecting data using research instruments, and analyzing quantitative or statistical data with the aim of testing predetermined hypotheses (Sugiyono, 2019). The associative causal relationship approach is a type of research that states the relationship between independent variables and dependent variables (Sugiyono, 2019). In this research, the researcher examines the relationship between the independent variables (liquidity ratio, solvency, profitability and activity) and the dependent variable (share returns).

The sampling technique used in this research is probability sampling. Probability sampling is a sampling technique that gives each member of the population the same opportunity or opportunity to be selected as a sample. The sampling technique used is simple random sampling where the sampling technique is carried out randomly (Sugiyono, 2019). The number of samples in this study was 23 companies included in the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period. Data collection uses non-participant observation methods. The data analysis technique used is multiple linear regression analysis.

RESULTS AND DISCUSSION

Results of Research Data Analysis

Results of Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine the influence of independent variables, including liquidity, solvency, profitability, activity, on the dependent variable, namely stock returns in companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period. The regression results can be seen in Table 1 below:

Table 1. Results of Multiple Linear Regression Test Analysis

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-0.193	0.062		-3,103	0.003		
	Liquidity	0.044	0.019	0.242	2,259	0.026	0.852	1,174
	Solvency	-0.011	0.012	-0.192	-0.988	0.326	0.258	3,875
	Profitability	0.569	0.242	0.294	2,348	0.021	0.623	1,605
	Activity	0.010	0.008	0.273	1,294	0.199	0.220	4,547

a. Dependent Variable: Stock Returns

Source: Processed data, 2024

Based on Table 1 above, the regression equation can be stated as follows:

Y = -0.193 + 0.044 X1 + -0.011 X2 + 0.569 X3 + 0.010

1) A constant value of -0.193 indicates that if liquidity, solvency, profitability and activity are equal to zero, then the stock return is -0.193.
2) The value of the regression coefficient A positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable.
3) The value of the regression coefficient The negative sign means that it shows the opposite influence between the independent variable and the dependent variable.
4) The regression coefficient value A positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable.
5) The regression coefficient value A positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable.

Model Feasibility Test (F Test)

The F test is used to determine the extent to which the independent variable is able to explain the dependent variable, and can explain whether the regression model used is appropriate or not. The results of the F test can be seen in Table 2 below

Table 2. Model Feasibility Test Results (F Test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.714	4	0.178	4,864	0.001b
	Residual	3,045	83	0.037		
	Total	3,759	87			

a. Dependent Variable: Stock Returns

b. Predictors: (Constant), Liquidity, Profitability, Solvency, Activity,

Source: Processed data, 2024

Based on Table 2 above, it is known that the significant value of F is 0.001 < 0.05, this shows that the regression model is considered feasible, so it can be continued for partial testing.

t test

The t statistical test basically shows the influence of one explanatory or independent variable individually in explaining variations in the dependent variable. The t test results can be seen in Table 3 below.

Table 3. t test results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.193	0.062			0.003
	Liquidity	0.044	0.019	0.242	2,259	0.026
	Solvency	-0.011	0.012	-0.192	-0.988	0.326
	Profitability	0.569	0.242	0.294	2,348	0.021
	Activity	0.010	0.008	0.273	1,294	0.199

a. Dependent Variable: Stock Returns

Source: Processed data, 2024

Based on Table 3, it can be explained that the results of the t statistical test between each independent variable and the dependent variable are as follows:

a) The Effect of Liquidity on Stock Returns

The results of the t test calculation show that liquidity has a Beta coefficient value of 0.044, which indicates a positive direction. The significance value is 0.026, this value is smaller than the real levelα= 0.05. These results show that liquidity has a positive and significant effect on stock returns. Based on this explanation, it can be concluded that the first hypothesis (H_1), namely "liquidity ratio has a significant positive effect on stock returns" can be proven true.

b) The Effect of Solvency on Stock Returns

The results of the t test calculation show that solvency has a Beta coefficient value of -0.011 which indicates a negative direction. The significance value is 0.326, this value is greater than the real levelα= 0.05. These results show that solvency has an insignificant negative effect on stock returns. Based on this explanation, it can be concluded that the second hypothesis (H2), namely "the solvency ratio has a significant negative effect on stock returns." rejected.

c) The Effect of Profitability on Stock Returns

The results of the t test calculation show that profitability has a Beta coefficient value of 0.569 which indicates a positive direction. The significance value is 0.021, this value is smaller than the real levelα= 0.05. These results show that profitability has a positive and significant effect on stock returns. Based on this explanation, it can be concluded that the third hypothesis (H3), namely "the profitability ratio has a significant positive effect on stock returns" can be proven true.

d) The Effect of Activity on Stock Returns

The results of the t test calculation show that profitability has a Beta coefficient value of 0.010, which indicates a positive direction. The significance value is 0.199, this value is greater than the real levelα= 0.05. These results show that activity has an insignificant positive effect on stock returns. Based on this explanation, it can be concluded that the fourth hypothesis (H4), namely "the activity ratio has a significant positive effect on stock returns" is rejected.

Coefficient of Determination (R2)

The coefficient of determination can be seen through the adjusted R2 value. The results of multiple correlation coefficient testing can be seen in Table 4 below

Table 4. Results of Determination Coefficient Analysis(R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.436 a	0.190	0.151	0.19155	2,039

a. Predictors: (Constant), Activity, Liquidity, Profitability, Solvency

b. Dependent Variable: Stock Returns

Source: Processed data, 2024

Based on Table 4, it is known that the Adjusted R2 value is 0.151. This shows that 15.1% of stock returns are influenced by the variables liquidity (current ratio), solvency (debt to equity ratio), profitability (net profit margin), activity (total asset turnover ratio) while the remaining 84.9% is explained by variables others not included in the regression model.

Classic assumption test

Classical assumption testing aims to ensure that the model or equation used in research does not violate these assumptions. Classical assumption testing consists of normality, autocorrelation, multicollinearity and heteroscedasticity tests.

1) Normality test

The method used to determine the normality of the regression model in this research is the One Sample Kolmogorov-Smirnov Test. Data distribution is declared normal if the significance value of the One Sample Kolmogorov-Smirnov Test is > 0.05. It can be seen in Table 5 below

Table 5. Kolmogorov-Smirnov Normality Test Results

		Unstandardized Residuals
N		88
Normal Parameters, b	Mean	0.0000000
	Std. Deviation	0.18709663
Most Extreme Differences	Absolute	0.090
	Positive	0.090
	Negative	-0.056
Statistical Tests		0.090
Asymp. Sig. (2-tailed)		0.077c

Source: Processed data, 2024

Based on the results of the normality test with Kolmogorov-Smirnov in Table 5, the probability value p or Asymp is known. Sig. (2-tailed) is 0.077, and is greater than the significance level, namely 0.05. This means that the normality assumption is met or the data is normally distributed.

2) Autocorrelation Test

The autocorrelation test aims to test whether there is autocorrelation or the influence of data from previous observations in a modal regression. If the regression model contains autocorrelation symptoms, then the predictions made with the model will not be good, or the prediction results may deviate. Whether there is autocorrelation can be determined by carrying out the Durbin-Watson (DW) test, where if du < dw < (4-du) then there is no autocorrelation. The results of the autocorrelation test are shown in Table 6.

Table 6. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.436 a	0.190	0.151	0.19155	2,039

a. Predictors: (Constant), Activity, Liquidity, Profitability, Solvency

b. Dependent Variable: Stock Returns

Source: Processed data, 2024

Table 6 shows that the Durbin Watson value of 2.309 is between the limits of (du = 1.7493) and (4- du = 2.2507). A good regression model is one that does not contain symptoms of autocorrelation with the criteria du < dw < (4- du). The autocorrelation test results obtained were 1.7493 < 2.039 < 2.2507, so it can be concluded that there were no symptoms of autocorrelation.

3) Multicollinearity Test

Multicollinearity testing aims to test whether correlation is found between independent variables in a regression model. A good regression model should not contain correlation between independent variables. Multicollinearity in the regression model can be seen from the tolerance and variance inflation factor (VIF) values. If the tolerance value is > 0.10 or the same as the VIF value < 10, it indicates there is no multicollinearity. The results of the multicollinearity test are shown in Table 7.

Table 7. Multicollinearity Test Results

		Collinearity Statistics
Model	Tolerance	VIF
Liquidity	0.852	1,174
Solvency	0.258	3,875
Profitability	0.623	1,605
Activity	0.220	4,547

Source: Processed data, 2024

Table 7 shows that the variables liquidity, solvency, profitability, activity have a tolerance value of more than 10 percent and a VIF value of less than 10, which indicates that there are no symptoms of multicollinearity in this study.

4) Heteroscedasticity Test

The heteroscedasticity test carried out using the white test aims to determine whether in the regression model there is an inequality of variance from the residuals of one observation to another. The results of the heteroscedasticity test can be seen in Table 8 below.

Table 8. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.005	0.034		0.160	0.873
	Liquidity	-4.005E-5	0.020	-0.001	-0.002	0.998
	Solvency	0.003	0.010	0.193	0.268	0.790
	Profitability	0.266	0.187	0.592	1,420	0.160
	Activity	-0.006	0.006	-0.634	-0.936	0.352
	X1_SQUARE	0.003	0.003	0.320	0.791	0.431
	X2_SQUARE	0,000	0,000	-0.111	-0.219	0.828
	X3_SQUARE	-0.370	0.435	-0.382	-0.851	0.397
	X4_SQUARE	0,000	0,000	0.571	0.786	0.434
	X1X2X3X4	-0.001	0.001	-0.271	-0.800	0.426

a. Dependent Variable: U2T

Source: Processed data, 2024

The White test is carried out by regressing the squared residual (U2t) with the independent variable, the squared independent variable and the multiplication

(interaction) of the independent variables. The white test results show that the c2 value is 16.1920 < of the c2 table, namely 16.9189. This shows that the regression model used in this research does not contain symptoms of heteroscedasticity.

Discussion of Research Results

The Effect of Liquidity on Stock Returns

The results of the analysis in this study show that liquidity has a positive and significant influence on stock returns in companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period, as indicated by the positive regression coefficient value of 0.242 with a significance value of 0.026 < 0.05. The positive and significant influence of liquidity on stock returns indicates that if liquidity is higher, stock returns will also increase.

According to Wiagustini (2014) the liquidity ratio is the company's ability to fulfill its financial obligations in the short term with available current funds. One of the liquidity ratios can be measured using the current ratio (CR). CR is a liquidity ratio which implements that the company's liquidity will support the fulfillment of the company's short-term obligations (Chandra and Darmayanti, 2022:362). The higher the CR value means the better the company's ability to fulfill its short-term financial obligations (Sartono, 2014: 116). A high CR will attract investors' interest in investing so that it will increase demand for the company's shares and ultimately increase its share returns (Hanafi & Halim, 2016: 108). This is in accordance with signaling theory which states that a company that has a high liquidity ratio is a signal that the company has the ability to pay short-term obligations with better current assets so that investors will be attracted to companies that have good liquidity.

The results of this research are in line with research conducted by Herawati & Putra (2018) showing that CR has a positive and significant effect on stock returns. Research results that also strengthen the above concept are Obala & Olweny (2018), Bintara & Tanjung (2019), Anderson et al (2021), Naziatul & Annisa (2022), Rochim & Ghoniyah (2017), Nandani & Sudjarni (2017), Handara & Purbawangsa (2017), Ghofir (2020), AN Sinaga et al (2020) state that the current ratio has a positive effect on stock returns.

The Effect of Solvency on Stock Returns

The results of the analysis in this study show that solvency has an insignificant negative influence on stock returns in companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period as indicated by the negative regression coefficient value of -0.192 with a significance value of 0.326 > 0.05. The insignificant negative effect of solvency on stock returns indicates that if the company's solvency increases it will cause a decrease in stock returns but it is not significant.

According to Wiagustini (2014) the solvency ratio is a ratio that measures the extent to which a company is financed with debt. One of the solvency ratios can be measured using the debt to equity ratio (DER). Khalid (2012) states that DER represents the comparison between company liabilities and company capital. The higher the DER indicates that the greater the proportion of debt in the company's capital, which will lead to higher investment risks. A high DER level indicates a higher total debt composition (short-term debt and long-term debt) compared to total capital, so this will have an

impact on the company's greater interest burden. A high DER provides a negative signal for investors because it reflects the company's high risk.

The results of this research are in line with research conducted by Nikmah et al (2021) stating that DER has a negative and insignificant influence on stock returns, Nurazizah et al (2022), Hermanto & Ibrahim (2020), Prastyawan et al (2022), Asia (2020), Dini et al (2019), Wiyono et al (2022), Dewi et al (2020) also stated that DER has a negative and insignificant influence on stock returns.

The Effect of Profitability on Stock Returns

The results of the analysis in this study show that profitability has a positive and significant influence on stock returns in companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period as indicated by the positive regression coefficient value of 0.294 with a significance value of 0.021 < 0.05. The positive and significant influence of profitability on stock returns indicates that if profitability is higher, stock returns will also increase.

The profitability ratio is a ratio that shows the company's ability to earn profits or measures the effectiveness of company management Wiagustini (2014). This ratio provides an overview of the company's efficiency and financial performance in generating profits. Several profitability ratios generally involve a comparison between net profit and several elements in the company's financial statements. One of the profitability ratios can be measured using the Net Profit Margin (NPM) ratio. NPM is a ratio used to monitor company profitability. NPM is the result of a comparison between net profit and sales. The greater the NPM value means the more efficient the costs incurred by the company, so that the net profit generated by the company is greater. High NPM has an impact on increasing investor interest in company shares so that company shares in the capital market tend to increase so that the stock returns obtained by investors increase.

The results of this research are in line with research conducted by Anwaar (2016) showing the results that NPM has a significant positive effect on stock returns. This research is also supported by Christi & Munari (2021), Anjani & Syarif (2019), Ozturk & Karabulut (2017), Haryani & Priantih (2018) who obtained that NPM results have a significant positive effect on stock returns. Research results that also strengthen the above concept are Mahardika & Artini (2017), Setyarini & Rahyuda (2017), Astuty (2017), Sorongan (2016), Putra & Kindangen (2016) in their research who obtained the results that NPM had a positive effect on stock returns.

The Effect of Activity on Stock Returns

The results of the analysis in this study show that activity has a positive and insignificant influence on stock returns in companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period, as indicated by the positive regression coefficient value of 0.273 with a significance value of 0.199 > 0.05. The positive and insignificant effect of activity on stock returns indicates that if the activity is higher, the stock return will also increase but it is not significant.

According to Wiagustini (2014) the activity ratio is a ratio that shows the company's ability to maintain the stability of its business so that it can survive and develop independently or measures the level of effectiveness in utilizing company resources. Activity ratios, also known as efficiency or turnover ratios, are used to measure a company's effectiveness in using its various assets. Total asset turnover

(TATO) is an activity ratio that shows how effectively a company uses its total assets to create sales and earn profits. The higher the TATO ratio shows that the more efficiently a company uses its funds for each company's assets (Wiagustini, 2014: 86). A high TATO value indicates that a company's effectiveness is getting better, so it can attract investors' interest in investing in the company, which ultimately increases the company's stock returns.

The results of this research are in line with research conducted by Dini et al (2021) and Marlindja & Meirisa (2022) which shows that TATO has a positive and insignificant effect on stock returns. The results of the same research conducted by Anggreani & Pratiwi (2024), Fauziyah et al (2023), found that TATO had a positive and insignificant influence on stock returns. Sinaga et al (2022), Apriyani et al (2021), and Wiyono et al (2022) found the same results, namely TATO had a positive and insignificant effect on stock returns.

CONCLUSION

Based on the results of the analysis and discussion that have been described, the following conclusions can be drawn:

1) Liquidity has a positive and significant influence on stock returns in companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period. The positive and significant influence of liquidity on stock returns indicates that if the company's liquidity increases it will cause an increase in the company's stock returns. Conversely, if the company's liquidity decreases, the company's stock returns will also decrease.
2) Solvency has an insignificant negative influence on stock returns in companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period. The insignificant negative effect of solvency on stock returns indicates that if the company's solvency increases it will cause an insignificant decrease in the company's stock returns. Conversely, if the company's solvency decreases, the company's stock returns will increase insignificantly.
3) Profitability has a positive and significant influence on stock returns in companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period. The positive and significant influence of profitability on stock returns indicates that if the company's profitability increases it will cause an increase in the company's stock returns. Conversely, if the company's profitability decreases, the company's stock returns will also decrease.
4) Activity has an insignificant positive influence on stock returns in companies listed on the LQ45 index on the Indonesia Stock Exchange for the 2020-2023 period. The positive and insignificant effect of activity on stock returns indicates that if company activity increases it will cause an insignificant increase in the company's stock return. Conversely, if company activity decreases, the company's stock returns will also decrease insignificantly.

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