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Macro-Economic Factors and Financial Ratios on Stocks Returns

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Abstract: **Stock returns can motivate and attract investors to invest. The rate of return on stocks obtained by investors is influenced by macroeconomic factors and financial ratios. This study aims to obtain empirical evidence regarding the effect of inflation, the rupiah exchange rate, Indonesia Central Bank (*Bank Indonesia-BI*) interest rates, profitability, leverage, and liquidity on stock returns. This research was conducted at 42 companies of hotel, restaurant and tourism sub-sector listed on the IDX. The sample was determined by purposive sampling method totaling 17 companies studied for 7 quarters using quarterly reports, so that there were 119 observational data. Non -participant observation was used and data was analyzed using multiple linear regression. The results show inflation has no effect on stock returns, the rupiah exchange rate has a positive effect on stock returns, BI interest rates have a positive effect on stock returns, profitability has a positive effect on stock returns, leverage has no effect on stock returns, and liquidity has no effect on stock returns.**

Keywords: **stock returns, macroeconomic, financial ratios.**

I. INTRODUCTION

Investments in the form of common stock require accurate information, so that investors are not trapped in adverse conditions because stocks investment have a relatively high risk, even though it promises relatively large returns. Investors invest their funds in a company, to obtain income or return on investment, both in the form of dividend income and income from the difference between the selling price of stocks and the purchase price (Ratih & Candradewi, 2020). The level of stocks return reflects the company's value in the eyes of investors and the public, if a company's stocks return are high, then the company's value is considered good and vice versa, therefore stocks return is an important thing for the company. In general, stocks return can be influenced by two factors, namely fundamental and technical factors. Fundamental factors are divided into two, where the top down approach is macroeconomic conditions, the industrial sector and finally the company, and the bottom up approach is the opposite, starting from the company, the industrial sector and finally the macroeconomic conditions. This factor provides information on company performance that can affect the ability of company management to generate profits, investor rights, company prospects, marketing and technology (Prasetya Wijaya & Sedana, 2020).

Meanwhile, technical factors provide information to potential investors to determine when to buy stocks and sell or exchange them for a profit. Technical analysis pays more attention to the pattern of price increases and decreases of a company rather than macroeconomic conditions. This analysis focuses on short-term investment developments. Fundamental factors are the most influential factors on the market price of stocks, for holders of these factors can provide a clear picture of the company's management in managing the company. Fundamental analysis is an analysis that considers things that can move price stocks, such as financial performance, level of business competition, market analysis, and macro and micro economics. This study uses fundamental factors to measure the price of stocks, namely using macroeconomics such as inflation, the rupiah exchange rate, and BI interest rates, as well as using financial ratios that can be measured by several aspects such as return on equity, debt to equity ratio, and current ratio. Companies that have good performance will be able to provide a better rate of return in accordance with investor expectations

Since early 2020 the virus has caused panic in parts of the world. Covid-19 has an impact on the economy in China, because this country is the second largest economy in the world and Indonesia's main trading partner, when the disruption of China's economy will affect the world economy including Indonesia. The Covid-19 outbreak has made the world economy sink into a slump, the increase in countries whose economies have been affected around the world, such as America, Spain and Italy, has made the world economic situation worse. The International Monetary Fund (IMF) projects the global economy to be minus 3 percent

A chaotic economy will also have an impact on the capital market in Indonesia. In March 2020 the tourism and hospitality sector was hit the hardest compared to consumer, banking, or construction stocks amid the corona pandemic. This is because the tourism and hospitality business is sluggish because most people postpone holidays, and there are widespread flight restrictions in several countries. For example, stocks of PT Pembangunan Jaya Ancol Tbk. (PJAA) was observed to decline 2.17 percent to Rp.450.00 per stocks at the close of trading on March 27, 2020. Hotel issuers have also experienced the same thing since tourist visits who stayed at the hotel declined, since the first cases of Covid-19 sufferers were discovered in Indonesia, the Indonesian capital market has been in a bad situation (Nia, 2020).

The hotel, restaurant and tourism sub-sector company was chosen because it is one of the sectors most affected by Covid-19, besides this sector has a large market capitalization and is also a company that has a large market share. This sector is a potential industry to be developed which naturally has its own natural beauty, diversity and cultural uniqueness. This sector is also able to play a role in driving economic growth as well as having a positive impact on the social and economic conditions of the community, as seen from the creation of jobs and foreign exchange contributions. Tourism is a future economic investment that will automatically facilitate the circulation of goods and services in tourist attractions and will increase the stability of the national economy. The tourism industry is currently very disturbed by the Covid-19 outbreak, this is evidenced by the number of tourism companies experiencing losses which of course have an impact on the company's financial performance (Folinas &Metaxas, 2020). Based on this, then the research was conduct in the hotel, restaurant and tourism sub-sector companies to determine the condition of stocks return before and when the Covid-19 outbreak in Indonesia began. The valuation of stocks price can be done by analysing external factors, macroeconomic factors such as inflation, rupiah exchange rates, and interest rates as well as internal factor analysis using financial ratios such as profitability, leverage and liquidity. Financial ratios are used to analyse financial positions as investment instruments such as valuations and yields (Arkan, 2016)

Macro-economic factors that can affect stocks return is a global condition regarding the Indonesian economy that can affect stock price. Macroeconomic factors occur outside the company, making it difficult for companies to control them, such as inflation, the rupiah exchange rate and interest rates. Investors will observe the conditions that might affect the price of the stocks they hold. First, the economic factor that attracts investors' attention is inflation, which can benefit a company, but can also be detrimental. High inflation is not preferred because it will increase production costs and operational costs, but inflation will also increase the selling price of a company's products. High inflation will cause the stock price to fall in the market, while a low inflation rate will cause economic growth to be very sluggish, so it will slow down stock price movements (Gay & Nova, 2016). Suriyani & Sudiartha (2018) shows that inflation has a negative and insignificant effect on stocks return. Different from Jamaludin (2017) Inflation has a negative and significant effect on stocks return. Sugiharti & Wardati (2019) shows that inflation has a positive and significant effect on stocks return.

The second macroeconomic factor that has the potential to affect stocks return is the exchange rate of the rupiah against foreign currencies. It is very important to observe the exchange rate of the rupiah, namely the value of the currency, considering that the exchange rate plays a very important role in the formation of profits for companies. Investors will usually be careful in determining a buy or sell position if the currency exchange rate is unstable. Lestari & Suaryana (2020) shows that exchange rate has a negative and significant effect on stocks return. Different from Jamaludin et al. (2017) shows that the exchange rate has a positive effect on stocks return. Sugiharti & Wardati (2019) This shows that the exchange rate does not have a significant effect on stocks return

The third macroeconomic factor that has the potential to affect stocks return is interest rates. Bank Central of Indonesia (*Bank Indonesia-BI*) interest rates are policy rates that reflect the monetary policy stance set by Bank Indonesia and announced to the public. The benchmark interest rate is the BI rate, however, there has been a new policy interest rate, namely the 7-day (Reverse) Repo Rate. Interest rates are getting higher, causing investors to switch investment from the capital market sector to investing in the banking sector. Suriyani & Sudiartha (2018), Dwialesi & Darmayanti (2016) This shows that the interest rate has a positive and insignificant effect on stocks return. Different from Yuliaratih & Artini (2018) shows that interest rates have a positive and significant effect on stocks return. While Latha et al. (2016) shows that the interest rate has a negative effect on stocks return. Macroeconomic factors, such as inflation, the rupiah exchange rate against the dollar, BI interest rates showed fluctuating conditions in the January 2019-September 2020 period.

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From January 2019 to September 2020 the inflation rate fluctuates. In March 2019, the inflation rate of 2.48 percent increased until September 2019 to 3.39 percent. In December 2019 the inflation rate fell to 2.72 percent, and increased again in March 2020 by 2.96 percent, then decreased until September 2020 by 1.42 percent. The decline in inflation is a positive signal for investors in investing in the capital market because the risks faced by investors are relatively small, on the other hand, if there is an increase in investment, the risks faced are relatively large and it is a negative signal for investors. Increased inflation will cause product prices to rise and make the level of sales in the company decrease, followed by a decrease in company profits. Profit in the company will decrease, so the price of the stocks will also decrease, and a decrease in the price of stocks will make stocks return also decrease. The middle exchange rate of the rupiah against the USD dollar from January 2019 to September 2020 has fluctuated. From January 2019 to December 2019 it appreciated against the USD dollar, then it depreciated in March 2020, and then it appreciated again in June 2020 against the USD dollar, then depreciated again in September 2020. Changes in the rupiah exchange rate against the dollar will also change the amount of company profit and loss, By changing the exchange rate, the company's revenue in the form of rupiah will also change, as well as the stock price which also changes and will have an impact on stocks return.

The interest rate decreased from January 2019 to June 2020, March 2019 the interest rate was 6.00 percent then decreased until September 2020 by 4.00 percent. The decline in interest rates indicates that the economy in Indonesia is experiencing growth. A decrease in interest rates will be followed by a decrease in loan interest rates so that the loan interest made by the issuer can be even higher. This situation will encourage issuers to further increase their product sales. The higher the level of sales, the greater the company's profit. Companies that have a large profit will make the price of stocks increase and will make stocks return increase. Lower interest rates will increase investment and consumption. However, economic activity that is too high will cause inflation to rise.

Financial ratios are also used to analyse stocks return in this study, which are internal factors of the company, in contrast to macroeconomic factors which are external factors, namely outside the company. The first financial ratio is profitability. Profitability is the ratio used to assess the company's profits in seeking a profit. This ratio shows a measure of the level of management effectiveness of a company as indicated by the profit generated from sales and revenue (Pramiswari & Dewi, 2020). This ratio is proportional to the return on equity (ROE), which is a measure of the company's ability to generate profits using its own capital. High ROE shows the company's ability to generate profits for shareholders. If the company can generate a high profit, then the demand for stocks will increase and then it will have an impact on the increase in the price of the company stocks, the price of stocks will increase, so that the stocks return will also increase. Allozi & Obeidat (2016), shows that the variable profitability has a positive and significant effect on stocks return. Different from Nurhakim et al. (2016) shows that ROE has a negative effect on stocks return. Budiharjo (2018), Araújo & Machado (2018) indicates that the amount of company ROE does not have a significant effect on stocks return

The second financial ratio used in this research is leverage, leverage is used to measure the solvency level of a company, measured by the debt to equity ratio (DER). DER is calculated by dividing debt by equity, meaning that if the company's debt is higher than its own capital, the amount of DER is above one, so that the funds used for the company's operational activities are more from debt than equity (Anggraeni & Rahyuda, 2020). Budiharjo (2018) Partially leverage has a positive and insignificant effect on stocks return. Ramadhanty & Budiasih (2020) show that the leverage variable has a positive and significant effect on stocks return. Different from Ibrahim (2020), leverage has a significant negative effect on stocks return

The third financial ratio in this study uses liquidity. Liquidity describes the company's ability to fulfil or finance the company's operations and pay off its short-term obligations (debt). The obligations that are borne by the company, when they are collected, are able to fulfil these obligations, especially those that are past due. Liquidity is measured using the current ratio, the better the current ratio will be able to increase the company's credibility in the eyes of investors so that it will be able to increase stocks return (Dharmiyanti & Darmayanti, 2020). Some empirical evidence regarding liquidity, there are liquidity inconsistencies in stocks return. Salamat & Mustafa (2016), Parwati & Sudiartha (2016) found that liquidity has a positive and significant effect on stocks return. Different from Syahbani (2018), liquidity has no effect on stocks return. Financial ratios, namely profitability, leverage, and liquidity, and stocks return show fluctuating conditions in the period January 2019-September 2020

The highest amount of stocks returns in the 3rd quarter of 2019 was -0.0002, while the lowest stocks return occurred in the 1st quarter of 2020 amounting to -0.1694. ROE, DER, and CR show inconsistent conditions in stocks return in hotel, restaurant and tourism sub-sector companies listed on the Indonesia Stock Exchange for the period January 2019-

September 2020. Current conditions are not in accordance with Stocks return where it should be according to theory, when ROE and CR should increase, then stocks return are expected to increase, and vice versa. When DER decreases, stocks return will increase. This development is the basis for reviewing the factors that can affect stocks return in hotel, restaurant and tourism companies in the Indonesia Stock Exchange. Based on previous studies, the hypothesis in this study is determined as follows:

H1: Inflation has a negative effect on stocks return.

H2: The rupiah exchange rate has a negative effect on stocks return.

H3: BI interest rate has a positive effect on stocks return.

H4: Profitability ratio has a positive effect on stocks return.

H5: The leverage ratio has a positive effect on stocks return.

H6: Liquidity ratio has a positive effect on stocks return.

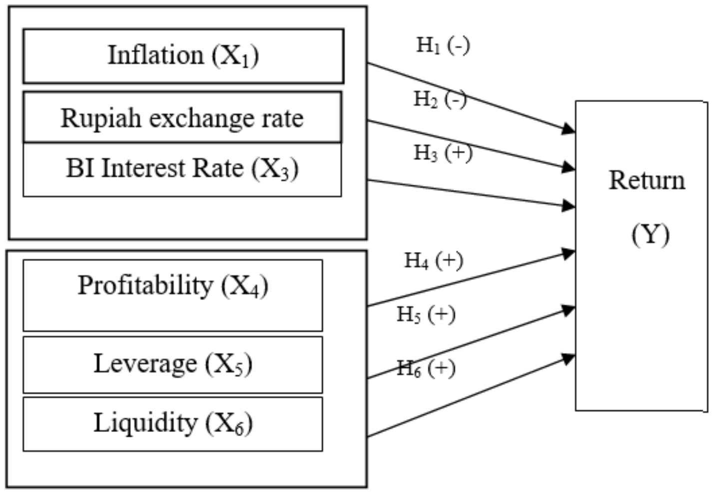

Figure 1: Conceptual Framework

II. METHODS

This research uses an associative quantitative approach. The population in this study were the hotel, restaurant and tourism sub-sector companies listed on the Indonesia Stock Exchange totalling 42 companies. The samples in this study were all hotel, restaurant and tourism sub-sector companies listed on the Indonesia Stock Exchange for the period January 2019-September 2020 which had been selected using purposive sampling technique with the criteria that the hotel, restaurant and tourism sub sector companies were still listed listed) on the Indonesia Stock Exchange during the period January 2019-September 2020; publishing quarterly and annual financial reports for the period January 2019-September 2020 and trading in issuers' stocks has never been suspended during the study period. Multiple Linear Regression Analysis is used to determine the simultaneous influence of inflation, the rupiah exchange rate, BI interest rates, profitability, leverage, and liquidity on stocks return, namely changes in stocks return due to changes in macroeconomic financial ratios simultaneously. The regression equation model used:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$

Y = Stocks return

α = Constant value

β = Regression coefficient

X1 = Inflation

X2 = Rupiah exchange rate

X3 = BI interest rate

X4 = Profitability ratio

X5 = Leverage ratio

X6 = Liquidity ratio

ε = Standard error

III. RESULTS AND DISCUSSION

Based on the sample selection, 20 companies were obtained for 7 quarters with the criteria set which became the samples of this study. However, there are 3 companies that contain data outliers (data deviating) which can cause the data to be biased or not reflect the actual phenomenon. So the total sample after outlier data is 17 company samples. So that the number of samples in the observation period January 2019-September 2020 was 119 research samples

TABLE 1: NORMALITY TEST

Unstandardized Residual		
N		119
Normal Parameters	Mean	0.0000000
	Std. Deviation	0.15963762
Most Extreme Differences	Absolute	0.078
	Positive	0.048
	Negative	-0.078
Test Statistic		0.078
Asymp. Sig. (2-tailed)		0.075

Based on the analysis. the significance value of 0.075 is greater than 0.05 (sig. = 0.075> 0.05) indicating that the variable data used in the study is normally distributed

TABLE 2: RUN TEST

	Unstandardized Residual
Test Value	0.00802
Cases < Test Value	59
Cases >= Test Value	60
Total Cases	119
Number of Runs	66
Z	1.014
Asymp. Sig. (2-tailed)	0.311

Asymp Value. Sig (2-tailed) of 0.311 is greater than 0.05 (0.311> 0.05). So it can be concluded that there are no autocorrelation symptoms or problems.

TABLE 3: MULTICOLLINEARITY TEST

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Inflation	0.365	2.742
	Rupiah exchange rate	0.386	2.593
	BI Interest Rate	0,412	2,428
	Profitability	0,526	1,900
	Leverage	0,772	1,295
	Liquidity	0.802	1.247

Based on the analysis, the tolerance value for the six independent variables, namely inflation, rupiah exchange rate, BI interest rate, profitability, leverage, and liquidity are respectively greater than 0.10 (tolerance = 0.365; 0.386; 0.412; 0.526; 0.772; 0.802> 0.10) with a VIF value less than 10. Therefore, it can be concluded that there is no multi-collinearity between variables in the regression model.

TABLE 4: HETEROSCEDASTICITY TEST

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.866	0.753		1.150	0.253
	Inflation	0.011	0.026	0.067	0.435	0.664
	Rupiah exchange rate	-0.000051	0.000	-0.158	-1.062	0.291
	BI Interest Rate	-0.013	0.021	-0.089	-0.616	0.539
	Profitability	0.000	0.001	-0.042	-0.327	0.745
	Leverage	0.000	0.000	0.142	1.343	0.182
	Liquidity	0.000007	0.000	0.009	0.091	0.927

The significant value of the six independent variables is greater than 0.05. The significance value of the inflation variable is 0.664, the rupiah exchange rate is 0.291, the BI interest rate is 0.539, the profitability is 0.745, the leverage is 0.182, and the liquidity is 0.927. It can be concluded that there are no heteroscedasticity symptoms in the regression model.

TABLE 5: FEASIBILITY TEST (F TEST)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.577	6	0.096	3.585	0.003
	Residual	3.007	112	0.027		
	Total	3.585	118			

The regression model has an F-count of 3.585. The number of data (n) in this study was 119 and the number of variables (k) was 7 variables. The F test is done by looking at the degrees of freedom (v1 = 7-1; v2 = 119-7) is 2.18. Therefore, it is obtained that the F-count value is greater than the F-table value (9.266> 2.18). The regression model has a significance value of less than 0.05, which is 0.003. Therefore, the significance value is smaller than the real level (0.003 <0.05). It can be concluded that the variables inflation, rupiah exchange rate, BI interest rate, profitability, leverage, and liquidity simultaneously have a significant effect on stocks return. The F test is carried out to find out that the model used is fit for use or not as an explanatory or predictor variable. Based on table 5 above, a significance value of 0.003 is obtained, this value is smaller than 0.05, so it can be concluded that this research model is feasible.

TABLE 6: DETERMINATION COEFFICIENT TEST RESULTS (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.401	0.161	0.116	0.16386

The value of the adjusted R Square in this study is 0.116 which means that 11.6 percent of the variation in the stocks return variable is influenced by inflation, rupiah exchange rates, BI interest rates, profitability, leverage, and liquidity, while the remaining 89.4 percent is influenced by other factors not included in the regression model of this study.

TABLE 7: RESULTS OF MULTIPLE LINEAR REGRESSION ANALYSIS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-3.907	1.168		-3.346	0.001
Inflation	-0.021	0.041	-0.072	-0.501	0.618
Rupiah exchange rate	0.000	0.000	0.449	3.221	0.002
BI Interest Rate	0.092	0.033	0.378	2.803	0.006
Profitability	0.004	0.002	0.294	2.464	0.015
Leverage	0.000023	0.000	0.010	0.100	0.920
Liquidity	0.000051	0.000	0.040	0.412	0.681

$Y = -3.907 - 0.021X_1 + 0.000X_2 + 0.092X_3 + 0.004X_4 + 0.00023X_5 + 0.000051X_{6} + \varepsilon$

The significance value of the t-test for inflation of 0.618 is greater than 0.05 with a β value of -0.021. These results indicate that the results of inflation in this study do not have a significant effect on stocks return. Thus, **the first hypothesis (H1) is rejected**. The results of this study indicate that the inflation rate has a negative effect on stocks return. However, because the results show that inflation is not significant in stocks return, investors' reaction to rising inflation does not affect investment decisions in the hotel, restaurant and tourism sub-sector companies. Inflation is only consistent and has an effect on rising prices and continuously does not affect stocks return. Inflation that occurred in January 2019-September 2020 can still encourage investor interest to invest in companies in the hotel, restaurant and tourism sub-sector. High inflation results in a decrease in consumer purchasing power, and of course it will have an impact on decreasing real income for investors from their investments. For companies, inflation will have an impact on the company's sales and production costs. The results of this study found that inflation does not have a significant effect on stocks return because the hotel, restaurant and tourism sub-sector companies are the needs of the community (tourists). People will always need hotels and restaurants when making tourist visits. In addition, inflation does not have a significant effect on stocks return, this is because in addition to inflation, stocks return can also be influenced by corporate actions or policies taken by the company itself which can change fundamentals in the company. The results of this study are not in accordance with the signal theory which states a signal in which the sender (owner of the information) tries to provide relevant information that can be used by the recipient, where decreased inflation is a signal for investors to benefit from investment activities in sub companies In the hotel, restaurant and tourism sector, this theory is not suitable because inflation does not have a significant effect on stocks return.

The t-test significance value of the rupiah exchange rate of 0.002 is smaller than 0.05 with a β value of 0.000. These results indicate that the results of the rupiah exchange rate in this study have a positive and significant effect on stocks return. Thus the **second hypothesis (H2) is rejected**. The results of this study have a positive and significant effect on stocks return. The results of this study indicate that the rupiah exchange rate has a direct relationship with stocks return. The bigger the rupiah exchange rate, the bigger stocks return will be. A stronger rupiah exchange rate indicates a developing economy and attractive for investment activities. If the IDR appreciates, investors' interest in investing in the capital market will also increase. This will have an impact on an increase in the price of stocks, as well as the stocks return that are obtained will increase. The rupiah exchange rate constantly adjusts in price, especially with the USD dollar. Changes in the image of society to consume a certain product, changes in prices for exported goods, changes in interest rates and inflation can affect the exchange rate. When this condition occurs, it will followed by changes in the rupiah exchange rate and production climate, which will also improve the investment climate. Therefore, a lot of these investments will increase the value of the company itself, so that if the rupiah exchange rate changes, it will have an impact on changes in stock prices, of course it will affect the stocks return received by investors

The significance value of the t-test for inflation of 0.006 is smaller than 0.05 with a β value of 0.092. These results indicate that the yield of BI interest rates in this study has a positive and significant effect on stocks return. Thus the **third hypothesis (H3) is accepted**. Based on the results of the research, which has a positive and significant effect, it means that the higher the interest rate, the greater the stocks return will be. This means that the BI interest rate has a direct relationship with stocks return. The interest rate is a benefit provided to investors from the use of investment funds on the basis of calculating economic value in a certain period. Investors always expect a return on investment, namely greater stocks return, so the interest rate is important to take into account. This research is in accordance with the signal theory which states that published information will provide a signal for investors in making investment decisions

The significance value of the t test for profitability of 0.015 is smaller than 0.05 with a β value of 0.004. These results indicate that the results of profitability in this study have a positive and significant effect on stocks return. Thus the **fourth hypothesis (H4) is accepted**. Profitability has a positive and significant effect on stocks return. The results of this study indicate that if the value of profitability increases, stocks return will also increase. This shows that profitability has a similar relationship with stocks return. Profitability is used to determine how far the company is able to make a profit. The ability to earn profits can be measured by own capital or all the funds invested in the company. With increasing profitability (return on equity), stocks return will also increase. The higher the return on equity, the greater the profit generated from the amount of funds invested and reflects the better its performance in generating net profit after tax. The increase in return on equity, the better the company's profitability, with that investors will get large stocks return. The results of this study are in accordance with agency theory in which the principal is motivated to enter into a contract for the welfare with ever-increasing profitability, and the agent is motivated to maximize economic needs in obtaining investment. This research is also in accordance with the signal theory, which functions to make it easier for investors to develop the stocks needed by the company's management in determining the company's future prospects, one of which is profit.

The significance value of the t-test for inflation of 0.920 is greater than 0.05 with a β value of 0.000023. These results indicate that the leverage results in this study do not have a significant effect on stocks return. Thus the **fifth hypothesis (H5) is rejected**. The results of this study indicate that the level of leverage has a positive effect on stocks return.

However, because the results show that leverage is not significant in stocks return, investors' reaction to the increased leverage does not affect investment decisions. Some investors think that leverage, which is a large DER value, will be a burden to the company, this is due to the company's obligation to pay debts and the risk of bankruptcy that will be borne by investors. Meanwhile, on the other hand, some investors also think that debt is needed by the company for the company's operational activities. Debt is needed by the company to increase the company's capital because having a large debt can be used to increase the company's capital so that the company can develop its business, and by doing business development, investors are more interested in buying the company's stocks so that the company's stock price will rise and stocks return will increase. The results of the study do not have a significant effect, it does not mean that investors can ignore the debt to equity ratio (DER) in a company, investors must still pay attention to DER because of the financial distress that is often faced by a company due to failure to pay company obligations (debt). Policy in the company should not have debt that is greater than the capital it owns. The smaller the debt to equity ratio, the better the condition of a company, meaning that the smaller the debt, the safer the company's condition. This research is not in accordance with the agency theory which states that the higher the leverage in a company, the better the prosperity that the holders of the company's stocks will receive from creditors. This research is also not in accordance with the signal theory which states that the profit information generated by the company if it has a high level of leverage, will reduce the response of investors in receiving signals in the form of good news from the company, and vice versa, it is not appropriate because the leverage variable has no effect on stocks return.

The significance value of the t-test for inflation of 0.681 is greater than 0.05 with a β value of 0.000051. These results indicate that the liquidity results in this study do not have a significant effect on stocks return. Thus the **sixth hypothesis (H6) is rejected**. Liquidity does not have a significant effect on stocks return, this shows that the level of liquidity does not affect investors' decisions to invest in the hotel, restaurant and tourism sub-sector companies. A high current ratio value will show that the company is managing its current assets which are less efficient, so that many current assets are not optimized by the company. This is because the assets that are not optimal will cause fixed expenses which will reduce the company's profits. Less optimal management of current assets will cause the liquidity (current ratio) to have no effect on stocks return. A high current ratio is considered not good or not necessarily good, this shows that there are a lot of unemployed company funds, of course, the company's finances are not used effectively to invest which can reduce the company's ability, namely company profits. This research is not in accordance with the signal theory which states that the better the company's performance as well as the liquidity ratio of the financial statements, the more interested it is to invest in its stocks. This is not appropriate because the value of liquidity (current ratio) does not affect investors' interest in investing.

IV. CONCLUSION

Based on the results of data analysis, it can be concluded that inflation has no significant effect on stock returns; The rupiah exchange rate has a positive and significant effect on stock returns; BI interest rates have a positive and significant effect on stock returns; Profitability has a positive and significant effect on stock returns; Leverage has no significant effect on stock returns; Liquidity has no significant effect on stock returns. The **limitations** of this study are three independent variables that have no effect on the dependent variable and the Adjusted R Square value of only 11.6 percent indicates that there are limitations to the independent variables in explaining the dependent variable (stock return). The results of this study indicate that 89.4 percent of the dependent variable cannot be explained by the dependent variable. Therefore, there are still other factors outside of research that affect the company's stock returns, so it is suggested to add and consider the possibility of other independent variables that can affect stock returns such as Price Earnings Ratio, Earning Per Share, and company size. In addition, **further researchers** are expected to extend the observation period to get better results and conduct similar research by taking different company sectors on the Indonesia Stock Exchange (IDX).

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