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How Inflation Could Moderate The Effect Of Financial Ratio On Stock Return?

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ABSTRACT

Stock return is something that is expected to be obtained by all investors who invest in the capital market. Financial stock returns will occur if the company's profits increase which makes the company distribute dividends. This study aims to test and obtain empirical evidence of the effect of Return on Equity, Debt to equity ratio, and Dividend Yield on stock returns of consumer goods companies listed on the Indonesia Stock Exchange.
The research population is manufacturing companies listed on the IDX in 2019-2021. The sample in this study were 46 consumer goods companies which were determined based on purposive sampling method. The analytical tool used to test the hypothesis is moderate regression analysis.
The results showed that Return on Equity and Dividend Yield had a positive effect on stock returns. Meanwhile, Debt to equity ratio has a negative effect on stock returns. Likewise, in inflation as a moderating variable where on the variable Return on Equity and Debt to equity ratio inflation does not moderate the effect of Return on Equity and Debt to Equity Ratio on Stock Returns while on the Dividend Yield variable inflation weakens the effect of Dividend yield on Stock Returns. Future research can develop this research by using other variables that in theory have an influence on stock returns, such as interest rates.

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1. INTRODUCTION

Investment is a commitment to a certain amount of funds or other resources that are carried out at the moment, with the aim of obtaining profits in the future (Syahyunan, 2015: 1). This investment activity can be carried out in the capital market. The capital market serves as a forum for allocating funds

efficiently between investors and companies (Tambunan, 2020). Stocks are one of the most demanded capital market instruments by investors because they are able to provide attractive rates of return. Investment gains in the capital market can be reflected through the acquisition of returns on selected shares. Return is the result obtained from an investment. Return can be in the form of a return on the realization that has occurred or an expected return that has not yet occurred but is expected to occur in the future (Jogiyanto, 2014: 235).

In making an investment, investors are positioned in uncertainty between the returns obtained and the risks that will be faced. The greater the return expected to be obtained from investment, the greater the risk, and it can be said that the expected return has a positive relationship with risk. In relation to minimizing uncertainty and maximizing the achievement of expected returns, investors can analyze this by looking at a company's existence in terms of performance improvement. One that can be used to measure company performance is by using financial ratios in fundamental analysis (Purnomo & Putri, 2013). According to Widoatmojo (2012: 134-139), fundamental analysis is carried out for long-term investment, because stocks with good company fundamentals can provide dividends and the share price will increase. Fundamental analysis of stocks can be done by analyzing financial statements using financial ratios consisting of liquidity ratios, activity ratios, solvency ratios, profitability ratios, and market ratios (Hanafi and Halim, 2016: 80).

Based on the influencing factors above, this study uses profitability ratios, solvency ratios, and market ratios. The reason for using the profitability ratio, solvency ratio and market ratio is because the profitability ratio is a ratio that measures the company's ability to generate profits (profitability) at a certain level of sales, assets and share capital (Hanafi, 2012: 81). Likewise, the solvency ratio is a ratio that shows how the company is able to manage its debt in order to make a profit and is also able to pay back its debt (Fahmi, 2014: 59). Meanwhile, market ratios are ratios that describe conditions that occur in the market. This ratio is able to provide an understanding for company management of the conditions of implementation to be carried out and its impact in the future (Fahmi, 2013: 138). This study uses profitability ratios, solvency ratios, and market ratios projected in three independent variables, as for the variables used, namely, return on equity (ROE), debt to equity ratio (DER), and dividend yield (DY).

Return on equity (ROE) is a measure of the company's ability to generate profits using its own capital, this ratio is obtained by dividing profit after tax by its own average capital. The higher ROE also shows that the company's performance is getting better and has an impact on increasing the company's share price. If the stock price increases, the stock return will also increase, so theoretically, it is possible that ROE has a positive effect on stock returns and further research needs to be done on how ROE affects stock returns.

DER is a leverage or solvency ratio that is often associated with stock returns (Prihantini, 2009). DER shows the company's ability to fulfil its obligations, which is shown in how much part of its own capital is used to pay debts. A DER level of less than 50% is a safe level. The lower the value of DER, the better or safer the obligations that must be met by own capital (Arista, 2012).

According to Hirt (2006) dividend yield is the percentage result of the profit per share divided by the market price of the share received by the company. A high dividend yield indicates that a capital market is undervalued, that is, if the market price of a stock is less than its fair value, then the stock should be bought and held temporarily (buy and hold) with the aim of obtaining capital gains if the price later rises again. The predictable power of dividend yield comes from the role of dividend policy in distributing the returns that the company has earned to shareholders. Dividend yield also explains the return on the weighted index value of each company (Guler and Yimaz, 2008).

One of the external factors or macroeconomic conditions that also affect returns is inflation. A country's inflation rate will show investment risk and purchasing power (Purnamasari & Japlani,

2020). In unstable economic conditions inflation can occur at any time. As an investor, you must be able to anticipate these conditions when investing. Inflation is a condition of constantly increasing prices in general, or a condition of constantly decreasing the value of money because the increase in the amount of money in circulation is not matched by an increase in the supply of goods (Setyaningrum & Muljono, 2016). The following is a table of inflation movements in 2019-2021 can be seen in Table 1.1.

Table 1.1

Year	Target	Actual Inflation
2019	3,5±1%	2,72
2020	3±1%	1,68
2021	3±1%	1,87

Source : Bank Indonesia 2019-2021

If you look at the inflation movement in the table above, the recorded inflation movement is always below the government target. Inflation in Indonesia tends to fluctuate at the highest rate in 2019 at 2.72% and in 2020 reached the lowest rate of inflation in Indonesia. According to research by Ilman (2013) inflation can moderate the effect of profitability on stock returns. According to the study, in mild inflation, the company's selling price can be higher than the production cost so that its profitability increases, which makes investors want the stock more and will increase the price and stock return.

Inflation is a variable that can affect all sectors. Inflation will increase the cost of production which causes an increase in the price of goods and services. This increase causes people's purchasing power to decrease, which leads to an increase in poverty (Pohan, Wibowo & Jannah, 2021). The decline in people's purchasing power causes people to choose to buy basic (primary) needs rather than secondary and tertiary needs. Basic needs produced by companies in the consumer goods sector are the object of this research. The reason the author chose a consumer goods company is that consumer goods stocks are classified as defensive stocks and tend to withstand crisis conditions. Consumer goods companies can survive through a series of economic turmoil, because the products produced are daily necessities that will continue to be consumed by the public under any conditions.

Virus or Covid-19 outbreak, which started in the Wuhan area precisely after the Chinese New Year, coinciding on January 25, 2020. Then spread to all countries including Indonesia (Alex, 2020). The increase in positive cases that occurs from day to day causes many losses to various sectors in Indonesia. One of them is the Indonesian economic sector. There is a tendency for a positive relationship between the number of Covid-19 cases and the strength of the USD exchange rate against the Rupiah. In addition, the low value of inflation that affects people's purchasing power. The stability of the company's sales will affect the profitability, solvency, and market ratios in the company, this makes the author want to know more about its effect on stock returns on the Indonesia Stock Exchange (IDX).

Based on the description above, there are various research results, so this research will be conducted to re-examine the effect of return on equity (ROE), debt to equity ratio (DER), and dividend yield (DY) on stock returns with inflation as moderation in consumer goods companies listed on the Indonesia Stock Exchange 2019-2021.

LITERATURE REVIEW AND DEVELOPMENT

Signaling Theory

This theory suggests that there is a link between information and the prospects of a company. According to Jogiyanto (2009), information published as an announcement will provide a signal for investors in making investment decisions. If the announcement contains a positive value, it is expected that the market will react when the announcement is received by the market. The assumption of signalling theory is that company managers have more accurate information about the company that is not known by outsiders (investors). Market reaction is indicated by changes in stock trading volume. When information is announced and all market participants have received the information, market participants will first analyze and conclude the information as good news or bad news. Signal theory

describes how a company provides signals to investors. Investors' responses to positive and negative signals greatly affect market conditions, and they will react in various ways in dealing with these signals. One of the pieces of information as a signal from the company is the issuance of financial statements. The company's financial statements that provide positive signals indicate that the company has good prospects in the future, so investors will be interested in buying shares or investing. Stock prices change following the supply and demand mechanism in the capital market, where stock prices are the main determinant of stock returns.

The Effect of ROE on Stock Returns

According to Kasmir (2014: 202) Return on equity (ROE) is the ratio between the net income and capital (core capital) of the company. According to Hery (2017: 315) the higher the return on equity means the higher the amount of net profit generated from each rupiah of funds embedded in equity. The better the percentage value of this ratio, indicating the higher the profit earned by the company. Companies that have good financial conditions and prospects will be of interest to investors so that they will have an impact on increasing stock prices and obtaining stock returns. Research by Aisah & Mandala (2016), Natasha (2018), and Devi & Artini (2019) both say that return on equity has a positive effect on stock returns.

H1 : Return on Equity has a positive effect on stock returns

The Effect of DER on Stock Returns

Debt to equity ratio is one of the ratios commonly used in assessing the company's ability to fulfil all its obligations. This ratio serves to find out how many parts of each rupiah of capital are used as debt collateral. It will be safer for creditors if they provide loans to debtors who have a low level of debt to equity ratio because this means that the greater the amount of owner's capital that can be used as debt collateral (Hery, 2017: 301). The lower the debt to equity ratio value, the better because it is safe for creditors during liquidation (Fahmi, 2014: 76). Research by Akbar (2015), Puspitadewi and Rahyuda (2016) states that debt to equity has a negative effect on stock returns. Devi and Artini's research (2019) also said that debt to equity has a negative effect on stock returns.

H2 : Debt to Equity Ratio has a positive effect on stock returns

The Effect of DY on Stock Returns

According to Fajrihan (2010) Dividend Yield is the dividend paid divided by the current price. Dividend Yield is expressed as a percentage which is one component of total return. If the company can earn a large profit, then theoretically the company will be able to distribute larger dividends. The increasing ability of the company to generate profits which is also accompanied by the increasing amount of dividends distributed, cause the share price to increase. This will cause many investors to be interested in buying shares of companies that have a high ability to generate profits, so that demand for these shares increases. This is also in accordance with the results of research by Yogi and Mimin (2016) which states that dividend yield has a positive effect on stock returns.

H3 : Dividend Yield has a positive effect on stock returns

The Effect of Inflation on The relationship Between Return On Equity and Stock Return

Inflation will increase the company's revenue and costs. If the increase in production costs is higher than the increase in prices that can be enjoyed by the company, the company's profitability will decrease. If the profit earned by the company is small, it will cause investors to be reluctant to invest in the company, so the stock price drops, which in turn also affects the stock return earned by investors (Kewal, 2012). Previous research conducted by Suyati (2015) revealed that there is a significant influence between Inflation and stock returns. Likewise, the results of Rusliati and Fathoni's research (2011) state that Inflation has a negative and significant effect on stock returns.

H4: Inflation moderates the effect of Return on Equity on stock returns

The Effect of Inflation on The Relationship Between Debt to Equity Ratio and Stock Return

The debt to equity ratio has a hypothesis that it has a negative influence on stock returns. This ratio is used because it can provide information on how much equity from shareholders is used to cover the company's overall debt so that investors at the General Meeting of Shareholders (GMS) can agree on the number of company funds financed by debt so that the appropriate return can be obtained. Investors tend to avoid stocks that have a high DER value because a high DER value reflects a relatively high company risk (Kasmir, 2012: 158). The increase in prices caused by inflation will cause people's purchasing power to decrease. The decrease in purchasing power will cause a decrease in

company profits which will influence the company's debt payments. If profits decrease, the company's debt payments will take from the capital account or retained earnings, so this will have an impact on the DER ratio.

H5: Inflation moderates the effect of Debt to Equity Ratio on stock returns.

The Effect of Inflation on the Relationship Between Dividend Yield and Stock Return

This ratio provides information on how high shareholders (investors) value the company, thus making them willing to spend more funds to buy the company's shares at a higher price when compared to the book value of the shares. (Sutrisno, 2017). If it is associated with the inflation variable, if inflation occurs, companies on the stock exchange will automatically experience a decrease in income due to a lack of purchasing power, especially in the consumer goods sector. The decline in income levels will reduce the company's fundamental analysis, causing a decrease in investor interest in buying shares in the company, and causing the stock price to fall.

H6: Inflation moderates the effect of Dividend Yield on stock returns.

RESEARCH METHOD

The research location in this study is a consumer goods company listed on the Indonesia Stock Exchange in 2018-2021. This research data is secondary data accessed through the website www.idx.co.id. The population used in this study were 71 companies in the consumer goods sector listed on the Indonesia Stock Exchange in 2019-2021. The sampling technique in this study used purposive sampling technique. Sugiyono, 2017: 144) purposive sampling is a sampling technique with certain considerations. This study uses purposive sampling method because not all populations in consumer goods companies have criteria that match what the authors set with a total sample size of 46 companies with a total observation of 138 companies. *Return is the profit obtained by companies, individuals and institutions from the results of their investment policies (Fahmi, 2014: 450). According to Jogiyanto (2016: 283) returns can be in the form of realized returns that have occurred or expected returns that have not occurred but are expected to occur in the future. Measurement of stock returns using realized returns, which are calculated by comparing the current period stock price with the previous period stock price. According to Jogiyanto (2016: 284) in measuring the total stock return, the following formulation can be used:*

$$Rs = \frac{Pt - Pt - 1}{Pt - 1}$$

Description:

Rs: Stock Return

Pt : Current year stock price

Pt-1 : Previous years stock price

Return on equity is part of the profitability ratio. The profitability ratio measures the overall management effectiveness which is shown by the size of the level of profit obtained in relation to sales and investment, (Fahmi, 2014: 81).

$$Return\ on\ equity = \frac{Net\ profit}{Equity}$$

Debt to equity ratio is one of the calculation indicators of the solvency ratio. According to Kasmir (2018: 157) debt to equity ratio is a ratio used to assess debt with equity. This ratio serves to find out every rupiah of own capital that is used as collateral for money. According to Kasmir (2018: 158) the debt to equity ratio can be calculated using the following formula:

$$Debt\ to\ equity\ ratio = \frac{Debt}{Equity}$$

According to Hirt (2010) dividend yield is the percentage result of the profit per share divided by the price per share received by the company. The formula for determining dividend yield is as follows:

$$Devidend\ Yield\ = \frac{devidend\ per\ share}{\text{stock price}}$$

This study uses the Moderate Regression Analysis (MRA) method addressed by the following equation :

$$Rs = \alpha + \ \beta 1\ \text{ROE} + \ \beta 2\ \text{DER} + \beta 3\ \text{DY} + \ \beta 4\ (\text{ROE} * \text{IF}) + \beta 5 (\text{DER} * \text{IF}) + \beta 6\ (\text{DY} * \text{IF}) + \text{e} \ldots..(1)$$

Description:
Rs = Stock Return
α = Constant
β = Variable regression coefficient
IF = Inflation
ROE = Return on equity
DER = Debt to equity ratio
DY = Dividend yield
e = Error
ROE*IF = Return on equity interacts with Inflation
DER*IF = Debt to equity ratio interacts with Inflation
DY*IF = Dividend yield interacts with Inflation

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 2
Descriptive Analysis Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROE	138	-1.67	1.45	.1091	.32403
DER	138	-2.13	13.55	.9998	1.38720
DY	138	.00	.15	.0184	.02495
RS	138	-.87	13.87	.1569	1.37593
IF	138	1.68	2.72	2.0900	.45383
Valid N (listwise)	138				

Source: data processed 2022

Moderate Regression Analysis (MRA)

Table 3
Moderate Regression Analysis (MRA) Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.491	0.082		5.988	.000		
	ROE	0.077	0.009	0.492	8.683	.000	0.244	4.1
	DER	-0.06	0.005	-0.309	-10.96	.000	0.389	2.57
	DY	0.112	0.048	0.069	2.333	0.02	0.893	1.12
	IF	-0.2	0.027	-0.428	-7.533	.000	0.243	4.11
	ROE*IF	0.083	0.063	0.041	1.302	0.2	0.389	2.57
	DER*IF	0.017	0.015	0.033	1.13	0.26	0.235	4.26
	DY*IF	-1.86	0.738	-0.074	-2.518	0.01	0.909	1.1

Source: data processed 2022
Classical Assumption Test

Tabel 4
Classical Assumption Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.774	1.438		1.234	0.22
	ROE	-0.049	0.156	-0.055	-0.311	0.756
	DER	0.013	0.093	0.012	0.138	0.89
	DY	-0.217	0.838	-0.024	-0.258	0.797
	IF	-0.117	0.468	-0.044	-0.25	0.803
	ROE*IF	0.726	1.111	0.063	0.653	0.515
	DER*IF	-0.115	0.256	-0.04	-0.447	0.656
	DY*IF	-12.452	12.925	-0.088	-0.963	0.337
a. Dependent Variable: ABRES						

Source: data processed 2022

Based on Table 3, the equation of Moderate Regression Analysis (MRA) can be obtained as follows:

$$Rs = \alpha + \beta 1\ \text{ROE} + \beta 2\ \text{DER} + \beta 3\ \text{DY} + \beta 4\ (\text{ROE} * \text{IF}) + \beta 5 (\text{DER} * \text{IF}) + \beta 6\ (\text{DY} * \text{IF}) + \text{e} \ldots$$

Moderate Regression Analysis (MRA)

Referring to the test of the relationship between variables and also the moderating variables that get ROE, DER, DY and IF variables of 0.000, 0.000, 0.021 and 0.000 which are smaller than 0.05 which means that the variables ROE, DER, DY, and Inflation have a significant effect on stock returns.

While for variables that have been included in the moderation variable (Inflation) ROE, DER, and DY the significance value is 0.195, 0.261, 0.013 which is only DY with inflation as a moderating variable that has a significance value below 0.05 which means Inflation moderates the relationship between DY and stock returns. While in ROE and DER inflation does not moderate its effect on stock returns.

Classical Assumption Test

Referring to the normality test using kolmogorov-smirnov statistics, the value of the understandardized residual number shows that Asym. Sig (2-tailed) 0.058 exceeds 0.05, meaning that the data is normally distributed. Referring to the Multicollinearity test conducted that the tolerance value for each variable exceeds 0.10 and the VIF value does not exceed 10, meaning that there is no multicollinearity. Referring to the heteroscedasticity test carried out gives the idea that each variable has a value of more than 0.05, meaning that there are no heterokedasitisas.

Test Coefficient of Determination (R2)

Based on the results of the coefficient of determination test above, it is concluded that the coefficient of determination (R Square) is 0.898 or it can be said to be 89.8 percent, meaning that ROE, DER, DY are able to explain the variables on Stock Returns by 89.8 percent where inflation is a moderating variable, while the remaining 10.2 percent is explained by other variables not included in this research model.

F test

From the table above, it can be seen that the F value is 163,739 with a significance level of 0.000 less than 0.05. So, the independent variables simultaneously affect the dependent variable, which means that return on equity, debt to equity ratio, dividend yield, interaction between return on equity and inflation, interaction between debt to equity ratio and inflation and interaction between dividend yield and inflation affect stock returns.

T test

The results of the T statistical test are as follows:

1. The Effect of Return on Equity on Stock Returns
   The first hypothesis states that return on equity has a positive effect on stock returns. Based on Table 4, it can be informed that the regression coefficient value of the return on equity (ROE) variable is positive 0.077 and the sig value is 0.000 which is smaller than 0.05, which means it is significant so the first hypothesis is accepted. This means that return on equity has a positive effect on stock returns. It can be concluded that the higher the return on equity, the higher the stock return.
2. Effect of Debt to Equity Ratio on Stock Returns
   The second hypothesis states that the debt to equity ratio has a negative effect on stock returns. Based on Table 4, it can be informed that the regression coefficient value of the debt to equity ratio (DER) variable is negative 0.06 and the sig value is 0.000 which is smaller than 0.05, which means it is significant so the second hypothesis is accepted. This means that the debt to equity ratio has a negative effect on stock returns. It can be concluded that the higher the debt to equity ratio, the lower the stock return.
3. The Effect of Dividend Yield on Stock Returns
   The third hypothesis states that dividend yield has a positive effect on stock returns. Based on Table 4, it can be informed that the regression coefficient value of the dividend yield variable (DY) is positive 0.112 and the sig value is 0.02 which is smaller than 0.05, which means it is significant so the third hypothesis is accepted. This means that dividend yield has a positive effect on stock returns. It can be concluded that the higher the dividend yield, the higher the stock return.
4. The Effect of Return on Equity on Stock Returns Moderated by Inflation
   The fourth hypothesis states that inflation can moderate the effect of return on equity on stock returns. Based on Table 4, it can be informed that the regression coefficient value of the interaction variable return on equity (ROE) with inflation is positive 0.083 and the sig value is 0.2 which is greater than 0.05, which means it is not significant, so the fourth hypothesis is rejected. This means that inflation does not moderate the effect of return on equity on stock returns.
5. The Effect of Debt to Equity Ratio on Stock Returns Moderated by Inflation
   The fifth hypothesis states that inflation can moderate the effect of debt to equity ratio on stock returns. Based on Table 4, it can be informed that the regression coefficient value of the debt to

equity ratio (DER) interaction variable with inflation is positive 0.017 and the sig value is 0.26 which is greater than 0.05, which means it is not significant, so the fifth hypothesis is rejected. This means that inflation does not moderate the effect of debt to equity ratio on stock returns.

6. The Effect of Dividend Yield on Stock Returns Moderated by Inflation
   The sixth hypothesis states that inflation can moderate the effect of dividend yield on stock returns. Based on Table 4, it can be informed that the regression coefficient value of the interaction variable dividend yield (DY) with inflation is negative 1.86 and the sig value is 0.01 which is smaller than 0.05 which means significant, so the sixth hypothesis is accepted. This means that inflation can weaken the effect of dividend yield on stock returns. It can be concluded that the lower the interaction of dividend yield and inflation, the higher the stock return.

The Effect of ROE on Stock Returns

Based on the test results, it has been proven that return on equity has a positive effect on stock returns in consumer goods companies listed on the Indonesia Stock Exchange in 2019-2021. The research results mean that the higher the return on equity, the higher the stock return. Vice versa, the lower the return on equity, the lower the stock return.

The higher the level of return on equity, it indicates the higher level of company profit. With a high level of company profit and a good amount of capital, it will affect the dividend distribution of the company so that the stock return will be higher. The better the percentage value of this ratio, indicating the higher the profit earned by the company. Companies that have good financial conditions and prospects will be in demand by investors so that it will have an impact on increasing stock prices and obtaining stock returns.

This research is also supported by previous research, namely Aisah & Mandala (2016), Natasha (2018), and Devi & Artini (2019) who both say that return on equity has a positive effect on stock returns.

The Effect of DER on Stock Returns

Based on the test results, it has been proven that the debt to equity ratio has a negative effect on stock returns in consumer goods companies listed on the Indonesia Stock Exchange in 2019-2021. The research results mean that the higher the debt to equity ratio, the lower the stock return. Vice versa, the lower the debt to equity ratio, the higher the stock return.

The higher the level of Debt to Equity Ratio, it indicates the level of the company's ability to pay its debts which is also seen from the capital account. In other words, what percentage of the total capital is used to pay the debt in the company. If the company has high debt, the company's profits and capital will be used to pay debts so it is assumed that the company will not distribute dividends because its financial condition is not stable.

The results of this study are also supported by the opinions of previous studies where Akbar (2015), Puspitadewi and Rahyuda (2016) state that debt to equity has a negative effect on stock returns. Devi and Artini's research (2019) also said that debt to equity has a negative effect on stock returns.

The Effect of DY on Stock Return

Based on the test results, it has been proven that dividend yield has a positive effect on stock returns in consumer goods companies listed on the Indonesia Stock Exchange in 2019-2021. The research results mean that the higher the dividend yield, the higher the stock return. Vice versa, the lower the dividend yield, the lower the stock return.

The higher the Dividend Yield level, it indicates the level of dividend distribution in the company. If the company distributes a high dividend per share, it will affect the level of stock return. If the company can earn a large profit, then theoretically the company will be able to distribute larger dividends. The increasing ability of the company to generate profits which is also accompanied by the increasing amount of dividends distributed, will cause the stock price to increase.

This is also in accordance with the results of research by Yogie and Mimin (2016) which states that dividend yield has a positive effect on stock returns.

The effect of inflation on the relationship between Return On Equity and Stock Returns

Based on the test results, it has been proven that inflation cannot moderate the effect of return on equity on stock returns in consumer goods companies listed on the Indonesia Stock Exchange in 2019-2021.

Inflation will increase company revenues and costs. If the increase in production costs is higher than the increase in prices that can be enjoyed by the company, the company's profitability will decrease. But in the influence between Return on Equity on stock returns, inflation here cannot moderate the effect of the relationship between the two variables. Inflation cannot moderate the effect of Return on Equity with stock returns because inflation that occurred during the study period was at a level below 10% which is classified as low and stable. Putra (2018) states that an inflation rate below 10% when viewed from the investor's point of view is considered reasonable and stable, and is not a determining or explanatory factor for changes in stock returns, so investors pay more attention to how the company generates high profits in order to generate high returns for investors.

The Effect of Inflation on the relationship between Debt to Equity Ratio and Stock Returns

Based on the test results, it has been proven that inflation cannot moderate the effect of debt to equity ratio on stock returns in consumer goods companies listed on the Indonesia Stock Exchange in 2019-2021.

Debt to equity ratio is one of the ratios commonly used in assessing the company's ability to fulfil all its obligations. Inflation here cannot moderate the effect of debt to equity ratio with stock returns because if the inflation value increases, the rupiah value will decrease which will cause the company's debt value to decrease as well as the capital level which will also decrease so that it will not affect the value of the debt to equity ratio.

The Effect of Inflation on the Dividend Yield and Stock Return relationship

Based on the test results, it has been proven that inflation can weaken the relationship between dividend yield and stock returns in consumer goods companies listed on the Indonesia Stock Exchange in 2019-2021. The research results mean that the higher the inflation, the weaker the relationship between dividend yield and stock returns. Vice versa, the lower the inflation, the stronger the relationship between dividend yield and stock returns.

Inflation is a process of increasing prices in general and continuously, related to market mechanisms that can be caused by various factors, including increased public consumption, excess liquidity in the market that triggers consumption or even speculation, including the uninterrupted distribution of goods (Wibowo, 2012: 19). If inflation occurs, companies on the stock exchange will automatically experience a decrease in revenue due to a lack of purchasing power, especially in the consumer goods sector. The decline in income levels will reduce the company's fundamental analysis, causing a decline in investor interest in buying shares in the company, which will cause the share price to fall.

CONCLUSIONS

This study tests and obtains empirical evidence of return on equity, debt to equity ratio, and dividend yield on stock returns, and determines the ability of inflation to moderate the effect of return on equity, debt to equity ratio, and dividend yield on stock returns. The sample selection used purposive sampling technique and obtained 46 consumer goods companies on the Indonesia Stock Exchange in 2019-2021. Based on the description and results in this study, the following conclusions are obtained:

1. Return on equity has a significant positive effect on stock returns. This is because if the return on equity value is high, the profit generated by the company is automatically high, this will cause dividend distribution to shareholders which will increase stock returns.
2. Debt to equity ratio has a significant negative effect on stock returns. This is because if the debt to equity ratio value is high, it means that the level of debt ratio is higher than the capital so it is assumed that the company's profits will be used for capital increases or debt payments not to be distributed to shareholders so that this will reduce the level of stock returns.
3. Dividend Yield has a significant positive effect on stock returns.
   This is because if the dividend yield in a company is high, the dividend distributed per share is high, so this will increase stock returns.
4. Inflation does not moderate the relationship between return on equity and stock returns.
   This is because inflation that occurred during the study period was at a level below 10% which is classified as low and stable.
5. Inflation does not moderate the relationship between Debt to equity on stock returns. This is because if the inflation value increases, the rupiah value will decrease which will cause the company's debt value to decrease as well as the capital level which will also decrease so that

it will not affect the value of the debt to equity ratio itself and its relationship with stock returns.

6. Inflation weakens the Dividend Yield relationship to stock returns. This is because if inflation occurs, people's purchasing power will decrease and affect the profits of the company which will affect the distribution of dividends per share which decreases so that inflation weakens the relationship between dividend yield and stock returns.

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