International Journal of Scientific Research and Management (IJSRM)
||Volume||13||Issue||07||Pages||9386-9399||2025||
Website: https://ijsrm.net ISSN (e): 2321-3418
DOI: 10.18535/ijsrm/v13i07.em11

Fundamental Factors and Systematic Risk on Stock Return in Indonesia Construction and Infrastucture Firms 2021-2023

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Abstract:
This research aims to analyze the effect of fundamental ratios (current ratio, debt to total assets ratio, earnings power to total investment, and fixed assets turnover) on stock returns, with coefficient beta as a moderator for construction and infrastructure companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The study uses 204 observation data obtained from the official website of the Indonesia Stock Exchange and processed with multiple linear regression analysis and moderated regression analysis (MRA) techniques. The research concludes that current ratio (CR), debt to total assets ratio, and earnings power of total investment significantly affect stock returns, while fixed asset turnover does not affect stock returns. Additionally, stock beta moderates the relationship between EPTI and stock returns, but does not moderate the relationship between CR, DAR, or FAT and stock returns. This indicates that investment efficiency becomes more relevant in conditions of high market risk, while liquidity, leverage, and asset efficiency remain unaffected by fluctuations in systematic risk.

Keywords: current ratio, debt to asset ratio, earning power of total investment, fixed asset turnover, earning per share, coefficient beta

I. Introduction

Stock return serves as a critical indicator for evaluating investment performance, as it represents the gains obtained by investors in return for the capital they have invested (Balqis, 2021). According to Sutanto (2021), high stock returns tend to attract investors, with a company's financial performance being one of the primary considerations in investment decision-making. In this regard, stock return not only illustrates how a company is perceived in the capital market but also reflects its efficiency in managing financial resources. Nevertheless, the fluctuating dynamics of the market also influence the stock returns of several issuers, including construction sector companies such as PT Pembangunan Perumahan (Persero) Tbk (PTPP), Wijaya Karya Tbk (WIKA), Adhi Karya Tbk (ADHI), and Waskita Karya Tbk (WSKT). These companies play a strategic role in national infrastructure development, but their stock return performance during the period from 2021 to 2023 has experienced quite sharp fluctuations. As shown in Figure 1, 25% of the construction subsector companies listed on IDX show a declining trend (Tuasikal & Susianti, 2024). This situation raises investor concerns about investment risks in the construction sector, one of which is caused by the company's internal financial structure, including excessive debt usage and inefficient asset utilization.

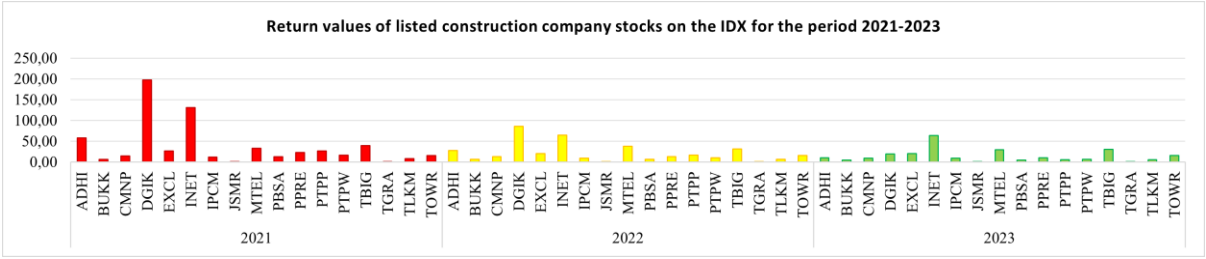

Figure 1. stock return graph of 25% of construction sector companies listed on the IDX

The financial structure of a company can be analyzed through financial ratios such as liquidity ratios, solvency ratios, profitability ratios, and activity ratios. These ratios are believed to influence stock returns, although previous research has shown inconsistent findings. Some studies found that liquidity ratios have a positive and significant effect on stock returns (Dewi, 2017; Saragih & Tan, 2022; Sulaeman et al., 2018) However, these findings contradict several studies that state a negative and insignificant effect (Ojo & Albertus, 2021; Ramli, 2021). Differences in results also occur in solvency ratios, Yanita Sanjaya & Maulida (2022) found that solvency ratios have a positive and significant effect on stock returns. Conversely, some studies found a negative and significant effect (Desprisila, 2022; Dewi, 2017; Ramli, 2021). In terms of profitability ratios, some studies show a positive and significant influence (Pradnyaningsih & Suarjaya, 2022; Sutanto, 2021), while others have found a negative and insignificant influence (Ependi & Dalesna, 2021; Ramli, 2021). The same occurs in activity ratios, where Saragih & Tan (2022) found a significant influence, while Nur-Islam et al. (2024) reported the opposite.

The fluctuations in stock returns caused by fundamental factors do not fully explain those movements, so it is necessary to consider other factors that also influence returns. Several studies show that systematic risk can increase or decrease stock returns. For example, research Nur (2024) It expresses that systematic risk weakens the relationship between fundamental factors and stock returns, which means that systematic risk has no significant influence on stock return fluctuations. This finding is different from the results of Izzah (2025) A study shows that systematic risk can significantly moderate the relationship between fundamental risk and stock returns.

The inconsistency of results from various previous studies shows that the influence of fundamental ratios on stock returns has not yet reached a uniform conclusion. Therefore, further research is needed to empirically examine the effects of liquidity, solvency, profitability, and activity ratios on stock returns moderated by systematic risk, particularly in construction companies listed on the Indonesia Stock Exchange. This study is expected to contribute to investors in their investment decision-making and to company management in evaluating the company's financial strategy.

II. Theoretical Foundation

II.1 Signaling Theory

The signaling theory was first introduced by Michael Spence in 1973, explaining how parties with more information (the signal sender) can provide information to parties with less information (the signal receiver) to address information asymmetry. In the context of economics and business, this theory is often used to explain how companies signal the market about their internal conditions, such as performance and future prospects. In line with this, Brigham & Houston (2007) state that the signaling theory is an action taken by company management that provides clues to investors about how the company views its future prospects. Investors will react to the signals given by management. If the signal is considered positive, the company's stock price tends to rise. Conversely, if the signal is considered negative, the stock price may drop. When a company sends a positive signal, it will gain benefits in the form of trust from investors to invest their capital, and the company's image will improve among shareholders as the company's performance improves. On the other hand, if a company sends a negative signal through its annual financial report, investors will be reluctant to invest, which will then affect the stock price and stock returns (Martak & Prasetyo, 2020). According to Kelana & Amanah (2020), it is explained that companies with high growth will send positive signals to investors regarding the potential for profits and increased profitability in the future.

This theory also emphasizes how company management conveys information to external parties to provide an understanding of the company's performance, thereby influencing investors' perceptions and decisions. In line with this, it is reinforced by Houston & Brigham (2011) statement that management

actions provide guidance to investors about the company's prospects. Behrmann et al. (2025) emphasize that strictly regulated quarterly information disclosure can reduce information asymmetry and enhance company value. This indicates that the financial signals sent by management are not only important for short-term perceptions but also shape investors' perceptions of the company's long-term value. Signaling theory also plays a crucial role in explaining how investors respond to financial information and their expectations of stock prices. The delivery of financial reports or prospective statements provided by management serves as an indicator of the company's potential gains or risks (Li et al., 2023). Subroto & Endaryati (2024) emphasize that the disclosure of strategic financial information is often perceived as a form of signal by the market to assess a company's long-term intentions and capabilities.

II.2 Stock Return

Return is the result of an investment, but every stock investment carries risks. The higher the expected return, the greater the risk that must be borne, and vice versa. Investors obtain that return through profit sharing (dividends) or through reselling the shares they bought at a selling price higher than the purchase price of the shares (capital gain) (Purba, 2019). This is reinforced in the research by Puspitadewi & Rahyuda (2016), which states that stock return is the level of profit obtained by investors from their stock investments. In every investment, both short-term and long-term, the main objective is to gain profit known as return.

Stocks are known for their "high risk, high return" characteristic, meaning that stocks are securities that offer high profit opportunities but also come with high risk potential. Stocks allow investors to gain returns in the form of capital gains if the current stock price is higher than the stock price in the previous period. However, with the fluctuations in stock prices, there are times when investors have to sell their stocks at a selling price lower than the purchase price, which is referred to as a capital loss.

II.3 Hypothesis Development

II.3.1 The Influence of Liquidity Ratio on Stock Returns

The liquidity ratio is an important measure that indicates a company's ability to meet its short-term financial obligations. (Harahap, 2018; Kasmir, 2019). Furthermore, this ratio evaluates how quickly assets can be converted into cash to pay off debts that are due (Brigham & Houston, 2007). One way to measure liquidity is through the Current Ratio (CR), which serves as a short-term indicator of the company's capacity to fulfill its obligations using available current assets. A higher liquidity level within a company is associated with increased stock returns (Labbeik et al., 2023). This notion is supported by previous research demonstrating that liquidity positively influences stock returns (Parhusip & Silalahi, 2019). The same goes for the research Sholikhah & Kartadjumena (2024) shows consistent results. However, there are also research results that contradict this view. Wibowo et al. (2023) suggesting that the current ratio may not have a significant impact on a company's stock returns. Based on this description, the following hypothesis is formulated:

H_1: Liquidity ratios (CR) significantly affect stock returns.

II.3.2 The Influence of Solvency Ratio on Stock Returns

The solvency ratio serves as a critical measure to assess a company's ability to meet both its short-term and long-term obligations. This ratio also reveals the extent to which a company's assets are financed by debt, which indirectly highlights the financial risk associated with its capital structure (Harahap, 2018; Kasmir, 2019). Solvency can be partially evaluated through the Debt to Assets Ratio (DAR), a key metric that gauges the proportion of a company's assets financed by debt. This ratio sheds light on how debt influences asset management within the organization (Kasmir, 2019).

A lower Debt to Assets Ratio indicates a greater share of assets financed by equity rather than debt, thereby mitigating financial risk and fostering a more favorable perception among investors. Such conditions can bolster market confidence and may lead to higher stock returns (Harahap, 2018; Kasmir, 2019). Supporting this viewpoint, prior research has established that solvency significantly influences stock returns (Alfinantul Qoni'ah & Syaiful Syaiful, 2024). From the above discussion, we can formulate the following hypothesis:

H_2: Solvency ratios (DAR) significantly affect stock returns.

II.3.3 The Influence of Profitability Ratio on Stock Returns

The profitability ratio is a crucial metric for evaluating a company's ability to generate profits. It also offers insights into the effectiveness of the company's management (Kasmir, 2019). Solvency can be partially assessed through the Earning Power of Total Investment (EPTI) ratio, which illustrates the company's capacity to generate profit from all its investments or assets (Kasmir, 2019). A high EPTI indicates that the company is efficient in utilizing its investments to achieve net profits. This enhanced capability fosters greater investor confidence in the company's profit potential, which can lead to an increase in stock prices and investor returns. Prior research supports this notion, demonstrating a positive correlation between profitability and company stock returns (Mahsusin et al., 2022). However, contrary to some research findings, there are instances where profitability appears to have a negative and significant impact on company stock returns (Wibowo et al., 2023). Based on the discussion above, the hypothesis can be formulated as follows:

H_3: Profitability ratios (EPTI) significantly affect stock returns.

II.3.4 The Influence of Activity Ratios on Stock Returns

The activity ratio serves as a metric to assess a company's effectiveness in utilizing its assets. One tool for measurement is Fixed Asset Turnover (FAT), a ratio that indicates how many times the investments made in fixed assets are converted into revenue over a specified period (Kasmir, 2019). A high Fixed Asset Turnover (FAT) reflects a company's ability to efficiently manage its fixed assets to bolster revenue. This efficiency can enhance investor confidence in the company's operations, ultimately contributing to improved stock returns. Previous research supports this notion, indicating that activity ratios have a positive impact on stock returns (Dewi et al., 2020). However, this finding is contradicted by the research conducted by Wibowo et al. (2023) suggest that activity ratios do not significantly affect stock returns. Based on this context, the following hypothesis has been formulated:

H_4: Activity ratios (FAT) significantly affect stock returns.

II.3.5 Systematic Risk Moderates the Influence of Fundamental Ratios on Stock Returns

In capital market analysis, stock returns are influenced not only by the fundamental factors of a company but also by the systematic risks inherent in those stocks. Systematic risk refers to the risks that stem from changes in the broader external environment affecting a company, such as inflation, interest rates, political instability, government policies, and global economic crises. This type of risk is pervasive and cannot be mitigated even through portfolio diversification (Hartono, 2010). Systematic risk impacts all securities in the market; therefore, the stock performance of financially healthy companies can still suffer during macroeconomic disturbances. One of the primary measures of systematic risk is a coefficient's beta.

Beta quantifies the sensitivity of stock returns to fluctuations in market returns and is widely employed in quantitative portfolio management and financial asset valuation. Stocks with a high beta tend to exhibit a more pronounced reaction to changes in financial or macroeconomic indicators due to their greater volatility (Fama & French, 2004; Sharpe, 1964). Consequently, favorable signals, such as positive developments in fundamental information, can lead to a more aggressive market response, thereby amplifying their impact on stock prices. In contrast, stocks characterized by low beta (defensive stocks) may display a slower or even negligible market response to fundamental information.

Kusuma & Utami (2023) shows that coefficient beta moderates the relationship between fundamental ratios and stock returns, with high-beta stocks enhancing the influence of earnings per share (EPS) on returns. This suggests that beta not only reflects risk but also shapes the market’s reaction to financial information In line with that, Prasetyo & Riyanto (2022) shows that high-beta coefficients exhibit greater price elasticity in response to changes in earnings information compared to their low-beta counterparts.

Based on the explanation above, the hypothesis is formulated as follows:

H_{5a}: Stock beta moderates the influence of the liquidity ratio (CR) on stock returns.
H_{5b}: Stock beta moderates the influence of the solvency ratio (DAR) on stock returns.
H_{5c}: Stock beta moderates the influence of the profitability ratio (EPTI) on stock returns.
H_{5d}: Stock beta moderates the influence of the activity ratio (FAT) on stock returns.

II.4 Hypothesis Framework

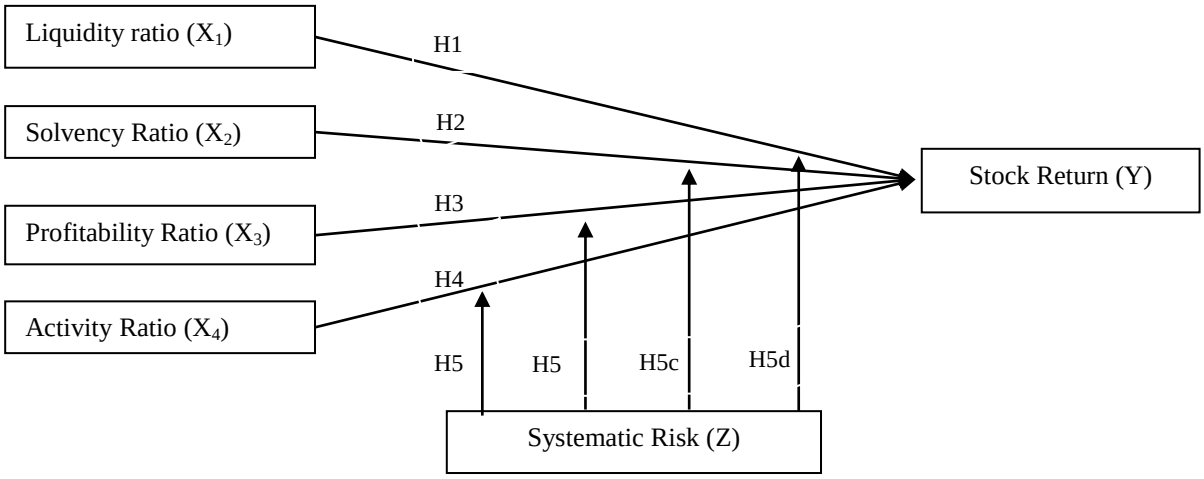

Figure 2. Conceptual Framework

III.Research Method

III.1 Data Sources, Population, and Sample

This research uses a quantitative approach with descriptive and associative methods to test the relationship between fundamental factors and stock returns, with systematic risk as a moderating variable. In sample selection, this research applies saturated sampling or census sampling techniques. Saturated sampling is a technique for determining samples when the entire available population is used as the sample (Sugiyono, 2022). This technique is generally used when the population size is relatively small or limited, allowing for the comprehensive observation of all members of the population. The population in this study consists of all companies in the construction and infrastructure sector listed on the IDX from 2021 through 2023. The use of saturated sampling in this study aims to improve the accuracy of the analysis results and to avoid potential bias in sample selection. By including all relevant units of analysis, this research can obtain results that are more representative and comprehensive regarding the studied population (Hasan, 2020).

The data used in this research is sourced from secondary data obtained through annual financial reports published on the official website of the Indonesia Stock Exchange, as well as other relevant secondary data sources. From the data sorting process, a total of 204 companies were observed to serve as samples.

III.2 Research Variables and Their Measurement

The independent variables in this study are the current ratio (CR), debt to asset ratio (DTA), earning power of total investment (EPTI), and fixed asset turnover (FAT); the moderating variable is coefficient beta; and the dependent variable is earnings per share (EPS). Here are the details:

Table 1. Variable Operational and Measurement

No	Variable	Measurement
1	Liquidity Ratio (Current Asset)	Current Assets assess the company's ability to meet its short-term obligations (Diyanto, 2020): $\frac{Current\ Assets}{Current\ Debt}$
2	Solvency Ratio (Debt to	The Debt to Assets Ratio is a ratio aimed at understanding the

	Assets Ratio)	capital structure and the level of financial risk of the company (Harahap, 2021): $$\frac{Total\ Liabilities}{Total\ Assets}$$
3	Profitability Ratio (Earnings Power of Total Investment)	The EPTI ratio is a financial ratio used to measure a company's ability to generate net income from total investments or total assets owned. This ratio reflects management's efficiency in managing all of the company's resources to create profits. (Kasmir, 2021): $$\frac{Net\ Income}{Total\ assets} \times 100$$
4	Activity Ratio (Fixed Asset Turnover)	A ratio that shows how efficiently a company utilizes its fixed assets (Kurniasari, 2017): $$\frac{Sales}{Net\ Fixed\ Assets}$$
5	Systematic Risk (Coefficient Beta)	Beta stock is an indicator of Systematic Risk that shows the extent to which changes in the return of a stock are affected by changes in market return (Tandelilin, 2010): $$\frac{Covariance\ between\ stock\ returns\ and\ market\ returns}{Market\ return\ varians}$$
6	Stock Return (Earnings Per Share)	The EPS ratio is a measure that indicates how much net profit a company earns for each outstanding common share (Kasmir, 2021): $$\frac{Net\ income\ after\ tax - Dividend\ Prefered\ Stock}{Total\ saham\ biasa\ yang\ beredar}$$

Source: Data processed by the researchers, 2025.

III.3 Data Analysis Techniques

The data analysis technique used is multiple linear regression analysis to determine the simultaneous and partial effects of each independent variable on stock prices. Data processing is carried out using IBM SPSS version 27. The classical assumption tests used include a normality test, multicollinearity, heteroscedasticity, and autocorrelation. The significance of the influence of variables is tested using the t-test, F-test, and the coefficient of determination (R^2). The regression equation model used is as follows:

$$Y = \alpha + \beta_1 CR + \beta_2 DAR + \beta_3 EPTI + \beta_4 FAT + \beta_5 CB + \beta_6 CR^* CB + \beta_7 DAR^* CB + \beta_8 EPTI^* CB + \beta_9 FAT^* CB + \varepsilon$$

Description:

Y	= Stock Return (EPS)
CR	= Current Ratio
DAR	= Debt to Total Assets Ratio
EPTI	= Earnings Power to Total Investment
FAT	= Fixed Assets Ratio
CB	= Coefficient Beta
α	= constant
β_{1-9}	= coefficient regression
ε	= Error

IV. Findings And Discussions

IV.1 Descriptive Statistical Analysis

Descriptive statistics are used to provide an overview of the characteristics of the data from the research variables.

Table 2 Descriptive Statistics

Variable	N	Min	Max	Mean	Std Dev
CR(X1)	204	-1.54	8.40	1.5794	1.70572
DTA(X2)	204	0.02	1.37	.5213	0.26105
EPTI(X3)	204	-1.31	2.54	.1685	0.51443
FAT(X4)	204	0.00	6.87	1.0626	1.15304
EPS(Y)	204	-156.00	322.00	30.6171	63.70904

Source: Data processed by the researchers, 2025

Based on the results of descriptive statistical tests, it is known that the sample size amounts to 204 observations (68 companies x 3 years of observation). The Current Ratio (CR) variable has a minimum value of -1.54 and a maximum of 8.40, with an average of 1.5794. The Debt to Asset Ratio (DTA) variable has an average of 0.5213 with a standard deviation of 0.26105. The Earning Power of Total Investment (EPTI) variable has an average of 0.1685, while the Fixed Asset Turnover (FAT) has an average of 1.0626. For the Earnings Per Share (EPS) variable, the average recorded is 30.6171 with a fairly high standard deviation of 63.70904. This indicates that the data has a sufficiently varied distribution among companies.

IV.2 The Result of Classic Assumptions

IV.2.1. Normality Test

A normality test was carried out on the regression to ensure that the residual values in the regression model are normally distributed. The normality test in this study was conducted using the Normal P-P Plot of Regression Standardized Residual graph. The results of the graph show that the residual points are dispersed along the diagonal line, indicating that the residual data is normally distributed. The visual approach through the P-P Plot is considered valid and per the principles explained in the literature.

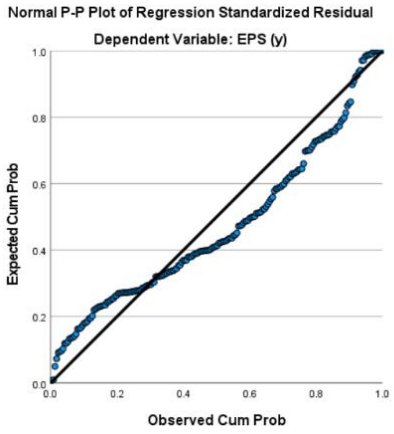

Figure 3. Results of Normality Analysis

IV.2.2. Multicollinearity Test

The multicollinearity testing aims to examine whether there is a correlation among independent variables. This study uses Tolerance values (> 0.1) and VIF values (< 10). Based on the testing results, all variables have Tolerance values above 0.1 and VIF values below 10. It can be concluded that the regression model in this study meets the assumption of being free from multicollinearity; thus, no multicollinearity was found among the independent variables in the model.

Table 3. Multicollinearity Test

Variable	Tolerance	VIF
CR (X1)	0,867	1,154

DAR (X2)	0,907	1,102
EPTI (X3)	0,902	1,109
FAT (X4)	0,848	1,179
BETA (Z)	0,633	1,580
X1*Z	0,670	1,492
X2*Z	0,849	1,178
X3*Z	0,771	1,296
X4*Z	0,659	1,516

Source: Data processed by the researchers, 2025.

IV.2.3 Autocorrelation Test

The autocorrelation test is conducted using the Durbin-Watson (DW) method. Data is considered free from autocorrelation if the DW value is around ±2. In the Model Summary output, a Durbin-Watson value of 1.311 was obtained. This value lies between the lower bound (dL) and 4-dL, although it does not fully fall within the non-autocorrelation zone. However, overall, the DW value approaching 2 indicates no autocorrelation. Considering that the DW value of 1.311 is still quite close to 2 and does not show an extreme number (close to 0 or 4), it can be concluded that the regression model does not experience significant autocorrelation issues.

Table 4. Autocorrelation Test

Model	Durbin-Watson
1)	1,311

Source: Data processed by the researchers, 2025.

IV.2.4 Heteroscedasticity Test

The heteroscedasticity test was carried out to find out whether there is an inequality of variance in the residuals. In addition, the probability value of the Park test was used to determine whether or not heteroscedasticity.

Table 5. Heteroscedasticity Test

Variable	Coefficients	Std. Error	t	Prob.
(Constant)	62,843	12,302	5,109	<0,001
CR (X1)	-1,128	2,680	-0,421	0,674
DAR (X2)	-1,368	1,327	-1,031	0,304
EPTI (X3)	3,629	0,150	0,609	0,543
FAT (X4)	-8,265	4,008	-2,062	0,051
BETA (Z)	-5,436	3,459	-1,572	0,118

Source: Data processed by the researchers, 2025.

Based on the results of the carried out using the Park test, the probability value is greater than 0,05, indicating that the ROA and DPS variables, so heteroscedasticity is considered not to occur.

IV.3 Hypothesis Test

The hypothesis test in this study aims to analyze the impact of the variables CR, DAR, EPTI, and FAT on stock prices, with Coefficient Beta as a moderator. Based on the regression estimation, the significance values for each variable are shown in the table below.

Table 6. Summary of Hypothesis Testing Results

	Unstandardized Coefficients	t	Prob.	Conclusion
(Constant)	-0,030	-0,421	0,674	-
CR (X1)	-0,189	-2,702	0,007	H_1 accepted
DAR (X2)	0,167	2,368	0,019	H_2 accepted
EPTI (X3)	-0,150	-2,062	0,041	H_3 accepted
FAT (X4)	-0,132	-1,572	0,118	H_4 rejected

BETA (Z)	0,114	1,398	0,164	-
X1*Z	-0,075	-1,031	0,304	H_{5a} rejected
X2*Z	0,197	2,589	0,010	H_{5b} accepted
X3*Z	-0,050	-0,609	0,543	H_{5c} rejected
X4*Z	-0,030	-0,421	0,674	H_{5d} rejected
R Square	0.134			
Adjusted R^2	0,094			
F-statistic	3,349			
Prob.	0,001			

Source: Data processed by the researchers, 2025. Notes: N=204; DV = Stock Return

Based on Table 6, the R2 test results show a value of 0.134, which means that 13.4% of the variation in Stock Return can be explained by the independent variables, while the remaining 86.6% is explained by other variables that are not studied in this research. Meanwhile, the F-statistic value shows a value of 3.349 with a probability value of 0.001, which means that all independent variables collectively can influence the dependent variable.

Furthermore, based on the results of the t-test, it is known that not all variables in the model have a significant partial effect on EPS. Only a few variables showed significance values less than 0.05, namely: DAR (0.007), EPTI (0.019), FAT (0.041), and the moderating interaction EPTI*Z (0.010). This indicates that these four variables have a significant effect on EPS. Meanwhile, other variables such as CR (0.674), Stock Beta (0.118), CR*Z (0.164), DAR*Z (0.304), and FAT*Z (0.543) have significance values greater than 0.05; thus, they do not have a significant partial effect. Therefore, it can be concluded that only four variables accepted the alternative hypothesis, while the other five variables were not statistically proven in this regression model.

Discussion

IV.3.1 Current Ratio towards Stock Return

The results of this study indicate that the Current Ratio (CR) has a significant effect on Stock Return, which suggests that the level of liquidity of a company is one of the factors considered by investors in assessing the performance and prospects of issuers in the stock market. The Current Ratio is a ratio that measures a company's ability to meet its short-term obligations using current assets. This ratio provides an initial overview of the company's short-term financial health. Theoretically, companies with good liquidity tend to have a lower risk of bankruptcy, which in turn increases investor confidence in the company's performance. This is in line with the view of Horne & Wachowicz (2012), which states that an optimal Liquidity Ratio indicates operational stability and cash management of the company, which can create added value for shareholders.

This finding is consistent with previous research by Sudrajat & Fadli (2024), which states that liquidity has a positive influence on Stock Return, especially in industries that are highly sensitive to cash flow and short-term financing. This indicates that although the Current Ratio is not the only indicator of financial performance, its role remains important in attracting investor attention, particularly in the context of a volatile market.

IV.3.2 Debt to Total Assets towards Stock Return

The results of this study show that the Debt to Total Assets Ratio (DAR) affects Stock Return. DAR is a ratio that indicates the proportion of a company's total assets financed by debt. The higher the DAR value, the larger the share of the company's assets that comes from external funding through liabilities. This ratio reflects the level of financial leverage of the company and is an important indicator in assessing financial risk. If a company can manage its debt well and use borrowed funds for productive activities, then leverage can be a tool to enhance returns for shareholders. Thus, investors are likely to respond positively to an optimal DAR ratio as it indicates efficiency in using external resources to generate profits. This supports the positive influence of DAR on Stock returns. This finding is in line with research conducted by Putro (2020), which states that DAR has a significant impact on the company's Stock Return, particularly in sectors with an aggressive capital structure. They found that investors consider the debt ratio as one of the risk indicators that affect the expected return on investment.

IV.3.3 Earning Power to Total Investment towards Stock Return

Theoretically, the relationship between EPTI and Stock Return can be explained through profitability theory and signaling theory. According to signaling theory, a high level of profitability provides a positive signal to investors regarding the operational effectiveness and growth prospects of the company. Investors tend to respond to this signal by increasing their buying interest in the company's stock, which impacts the rise in stock prices and results in higher returns (Spence, 1973). A high EPTI indicates that the company can maximize its investments to create added value in the form of net profit. This is attractive to investors as it reflects asset management efficiency and the potential for promising dividends or capital gains. Conversely, a low EPTI indicates that the company's assets have not been managed optimally, which can reduce investor confidence and negatively impact Stock Return.

This finding is in line with research conducted by Sosrowidigdo & Riska (2024)**,** which states that companies with high investment efficiency tend to provide better stock returns. This indicates that the market reacts positively to companies that have a high ability to convert investments into net profit.

IV.3.4 Fixed Assets Turnover towards Stock Return

In general, a high FAT ratio indicates that fixed assets are optimally utilized in generating revenue. However, in the context of this research, the absence of the influence of FAT on Stock Return suggests that the efficiency of fixed asset usage is not a primary consideration for investors in their investment decision-making. This may occur because Stock Return is more influenced by other factors such as profitability, market risk, or investor sentiment, rather than solely by operational efficiency.

This finding aligns with the research by Islam et al. (2024), which found that FAT has no significant effect on Stock Returns in manufacturing companies in Indonesia. They concluded that information related to fixed asset efficiency has not been fully considered by investors in evaluating return prospects, especially in sectors that are not asset-intensive or have fixed assets that are less flexible in generating short-term income. From an information theory perspective, this can also be explained through limitations in disclosure and investors' understanding of the details of the company's fixed asset usage. Although FAT is an operational performance indicator, not all efficiency ratios can be directly translated into market signals that affect prices and Stock Returns, particularly in the short term.

IV.3.5a Current Ratio towards Stock Return, and Beta Saham as a Moderator

In theory, a stock's beta describes how sensitive the return of a stock is to the overall market movements. In this context, beta should serve as a moderating variable that affects the relationship between internal financial ratios (such as CR) and Stock Return. For example, in stocks with high beta (high risk), investors may pay more attention to the company's liquidity conditions as a signal of short-term stability. However, the results of this study indicate that this relationship is not statistically significant. Some justifications for this condition are: a) The Current Ratio is internal and conservative, so its influence on Stock Return is not strong enough to be affected by external market risk fluctuations reflected in beta; b) Investors may pay more attention to other fundamental indicators that are more directly related to profitability potential compared to the Liquidity Ratio, especially when market risk is high; and c) Stock beta is aggregate and macro in nature, while the CR is micro (internal), so the mismatch in scale between the variables can cause the moderation interaction to become insignificant.

IV.3.5b Debt to Total Assets towards Stock Return, and Beta Saham as a Moderator

These empirical results indicate that market risk, as reflected by the stock beta, does not significantly interact with the company's leverage level in affecting Stock Return. This means that, both for stocks with high and low beta, the relationship between Debt-to-Equity Ratio (DAR) and Stock Return tends to be stable and is not strengthened or weakened by fluctuations in Systematic Risk. This condition may occur due to several factors: a) investors may evaluate leverage risk (DAR) and market risk (beta) as two separate entities, so fluctuations in beta do not affect their sensitivity to the company's debt level; b) DAR information is internal and historical, while beta reflects forward market expectations, so there is not a sufficiently strong interactive relationship between the two; or c) in the context of emerging markets like

Indonesia, the market mechanisms are not fully efficient, so Systematic Risk information has not been fully responded to by investors in the stock return formation process.

This result is consistent with the study conducted by Nur (2024), which found that stock beta is not significant in moderating the relationship between leverage and stock return in non-financial companies. They concluded that beta is more relevant when associated with macroeconomic variables or aggregate market return expectations, rather than as a strengthening factor in certain financial ratio relationships.

IV.3.5c Earning Power to Total Investment towards Stock Return, and Beta Saham as a Moderator

The results of this study indicate that stock beta has a significant effect as a moderating variable in the relationship between Earnings Power of Total Investment (EPTI) and Stock Return. These findings suggest that the level of Systematic Risk of a stock, measured by beta, can either enhance or weaken the impact of a company's investment profitability on the stock returns received by investors. Conceptually, EPTI measures a company's ability to generate profit from total assets or investments owned. The higher the EPTI, the more efficiently the company manages its assets to create profits, which is generally positively appreciated by the market through an increase in stock prices and investor returns. Meanwhile, stock beta reflects the sensitivity of Stock Return to market fluctuations. When stock beta is used as a moderating variable, it means that the relationship between EPTI and Stock Return depends on the level of market risk inherent in the stock.

IV.3.5d Fixed Assets Turnover towards Stock Return, and Beta Saham as a Moderator

Theoretically, the Fixed Asset Turnover (FAT) measures how well a company can utilize its fixed assets, such as machinery, buildings, or equipment, to generate revenue. In financial logic, the higher the FAT, the more efficient the company is in using its fixed assets, which should contribute to increased profits and, ultimately, stock prices and Stock Return. However, the findings in this research state otherwise.

The absence of FAT's influence on Stock Return can be explained by several factors. First, investors may not pay much attention to operational efficiency concerning fixed assets, especially in companies whose operations do not heavily rely on physical assets or those undergoing digital transformation. Second, information regarding FAT tends to be technical and is not always perceived as a direct signal of profitability or future growth. Furthermore, the stock beta, which represents Systematic Risk, also does not act as a moderating variable in the relationship between FAT and Stock Return. This indicates that the stock's sensitivity to market movements does not affect how much fixed asset efficiency can impact stock returns. In other words, investors do not see the interaction between market risk and fixed asset efficiency as a combination that influences investment decisions.

V. Conclusions

This research aims to examine the influence of fundamental ratios (CR, DAR, EPTI, and FAT) on Stock Return, with stock beta as a moderating variable. Using 204 data observations, the study concludes that the Current Ratio (CR), Debt to Total Assets Ratio (DAR), and Earnings Power of Total Investment (EPTI) have a significant effect on Stock Return, while Fixed Assets Turnover (FAT) does not have an effect. Additionally, stock beta moderates the relationship between EPTI and Stock Return, but does not moderate the relationship between CR, DAR, or FAT and Stock Return. This indicates that investment efficiency becomes more relevant in conditions of high market risk, while liquidity, leverage, and fixed asset efficiency are not affected by fluctuations in Systematic Risk. This study has limitations, including only using data from the construction and infrastructure sectors and the period 2021-2023, and focusing on internal financial ratios and one moderating variable, so the results cannot yet be generalized widely. Future research is suggested to: a) expand the sample scope by involving various industry sectors and a longer period to make the research results more general and robust; b) add other independent and moderating variables, such as company size or good corporate governance, to obtain a more comprehensive understanding of the factors affecting Stock Return; c) use different analytical method approaches, such as non-linear regression or panel data, to test the stability of the relationship between variables in various market conditions; and d) consider macroeconomic variables such as inflation, interest rates, and exchange rates as external factors that can affect the relationship between financial ratios and Stock Return.

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