Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 08 Issue 08 August 2025

Article DOI: 10.47191/jefms/v8-i8-09, Impact Factor: 8.317

Page No: 5141-5150

Impact of Financial Ratio and Dividend Policy on LQ45 Companies' Stock Returns

Dedek Pramana[1], Nabila Al Rahmah[2], Syifa Noviska Fitri[3], Nurmalys[4], Yeasy Darmayanti[5*]

[1,2,3,4]Student of Accounting Department, Universitas Bung Hatta, Indonesia

[5]Accounting Department, Universitas Bung Hatta, Indonesia

*Correspondence Author: yeasydarmayanti@bunghatta.ac.id

ABSTRACT: This study aims to determine the effect of profitability ratios (ROA), liquidity (CR), solvency (DER), and dividend policy (DPR) on stock returns (CAR) in LQ45 indexed companies in 2021-2024.This study uses a quantitative approach with secondary data in the form of annual financial reports from LQ45 companies for the period 2021–2024. The analytical method used is multiple linear regression.The population of this study was all companies listed in the LQ45 index in Indonesia. The results found that profitability ratios and dividend policies influence stock returns. Meanwhile, liquidity and solvency ratios have no effect on stock returns. The findings provide important implications for investors in considering fundamental factors and dividend policies before making investment decisions in the capital market.

KEYWORDS: Profitability**,** Liquidity, Solvability, Dividend Policy, Stock Returns

I. INTRODUCTION

The LQ45 Index is a stock index comprising 45 issuers with high liquidity, large market capitalization, and solid financial performance. This index serves as a primary reference for institutional and individual investors when constructing portfolios because it is considered to represent the leading stocks on the Indonesia Stock Exchange (IDX) (Financial Services Authority, 2023; IDX, 2024). LQ45 index, It was first introduced in February 1997 as part of the IDX's efforts to provide investors with a more representative and stable indicator of stock market performance. This index is calculated using the capitalization-weighted index method, meaning the weight of each stock in the index is determined based on its market capitalization. As a result, LQ45 returns are often used as a proxy to assess the dynamics of the Indonesian stock market in general.

Fluctuations in stock returns in LQ45 companies are influenced by many factors. Internally, company financial performance, such as profitability ratios, solvency, and operational efficiency (Sartono, 2020; Susanti & Sari, 2022), is the dominant factor influencing stock returns. Fama and French (2015) introduced a multifactor model showing that market risk, company size, and book value to market price significantly influence stock returns. In the meantime, a local study by Rahmawati and Wijaya (2023) demonstrated that the IDX's LQ45 stock returns are substantially influenced by Return on Assets (ROA), Earnings Per Share (EPS), and Debt to Equity Ratio (DER). Putri and Hidayat (2025) have consistently highlighted that financial ratios like liquidity, solvency, and profitability have a significant impact on stock returns because they show a company's capacity to pay its debts, turn a profit, and preserve its financial stability. Investors will use these measures to evaluate return potential in this setting, particularly for blue-chip firms like the LQ45.

In the context of the LQ45 index, profitability ratios such as return on assets, return on equity, and net profit margin are often the primary focus of financial analysis. Companies with high profitability ratios typically demonstrate solid financial performance and are more attractive to investors, thus driving stock demand and increasing share prices, ultimately positively impacting stock returns (Brigham & Houston, 2019; Faturohman et al., 2024). Several studies consistently support the relationship between profitability and stock returns, finding that companies with high net profit margins tend to deliver higher stock returns (Rahmawati & Wijaya, 2023), as high net profit is the primary source of dividend distribution and company value growth (Susanti & Sari, 2022).

In addition to high profitability, healthy liquidity and solvency also demonstrate a company's ability to repay debts without having to sell fixed assets or seek additional funding, ultimately building investor confidence (Sartono, 2020). The liquidity ratio measures a company's ability to meet its short-term obligations using current assets. This ratio reflects a company's level of short-

term financial security and is an important indicator for investors in assessing the company's operational stability. Studies Faturohman et al. (2024) shows that the liquidity ratio has a significant influence on stock prices. Meanwhile, Putri and Handayani (2022) found that the Current Ratio had no significant influence on stock returns for LQ45 companies, indicating that investors place more emphasis on profitability and leverage ratios when making investment decisions. A similar sentiment was expressed by Murni and Arifin (2023), who stated that for large companies, such as members of the LQ45 index, liquidity levels tend not to be a major factor influencing stock return fluctuations.

Meanwhile, solvency analysis, in the context of LQ45 companies, remains relevant even though the majority of issuers are considered stable and established. Investors still consider this ratio to understand the extent to which a company relies on debt to fund its operations and business expansion. A high DER ratio, for example, indicates that a company uses a large amount of debt compared to its equity, which can increase financial risk and negatively impact stock returns if not managed properly (Sartono, 2020). From an investor's perspective, a high debt burden means a company must allocate a significant portion of its profits to repay interest and principal, thereby reducing potential dividend distributions and lowering company value (Kraus & Litzenberger, 1973). This is reinforced by research by Fadillah & Lestari (2022), which shows that DER has a significant negative effect on stock returns in LQ45 companies, indicating that investors tend to avoid companies with capital structures that are overly dependent on debt. Similar findings were also demonstrated by Alfi & Putra (2023), who found that solvency negatively impacts stock returns in the manufacturing sector within the LQ45.

The consistency of research results on fundamental ratios and stock returns in developing countries remains very low, despite the research focus on LQ45 companies. Dividend policy is another element thought to be involved in the inflexibility of research findings. The term "dividend policy" describes a company's choice of how much of its profits to reinvest and how much to pay out as dividends to shareholders. The bird-in-the-hand theory (Gordon, 1963) states that because dividends are seen as having less risk, investors value them more than possible future capital gains. Additionally, according to Pramana et al. (2024), dividend policy is a significant indicator of stock returns. Investors' expectations of future returns are influenced by a dividend policy that is steady or growing because it is frequently regarded as a sign of sound financial prospects.

Thus, the purpose of this study was to examine the impact of dividend policy, liquidity, solvency, and profitability on stock returns in companies that are listed on the Indonesia Stock Exchange and are indexed by the LQ45. It is anticipated that the findings would contribute both theoretically and practically to corporate financial management and investment decision-making.

II. GRAND THEORY

A. Signal Theory

In this study, the relationship between financial ratios (liquidity, solvency, and profitability), dividend policy, and stock returns is based on Signaling Theory introduced by Michael Spence (1973). This theory explains that in situations of information asymmetry, companies send signals to investors through financial information to reduce market uncertainty. Financial ratios serve as quantitative signals regarding the company's condition and performance. Good levels of liquidity, solvency, and profitability reflect the potential for positive risks and returns for investors. Dividend policy also serves as an additional signal; consistent dividend payments are often interpreted as an indicator of stable financial prospects, thus strengthening the influence of financial ratios on stock returns.

B. Stock Returns

Stock returns are a key indicator for assessing the performance of stock investments in the capital market. Returns reflect the profits earned by investors, both in the form of capital gains and dividends, over a specific period. Stock returns are not only a benchmark for investment success but also serve as a reflection of a company's fundamental performance and external conditions affecting the market (Tendelilin, 2021). Companies with strong financial performance tend to generate higher stock returns, particularly in sectors resilient to economic turmoil (Arifin & Nugroho, 2023). Stock returns are influenced by several factors, both internal factors such as profitability, liquidity, and leverage (Gitman et al., 2022; Putri & Hidayat, 2025), as well as other factors such as dividend policy (Pramana et al., 2024).

B.1 The Effect of Profitability Ratios on Stock Returns

One of the key metrics used to evaluate a company's financial performance is profitability. Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin (NPM) are examples of profitability ratios that show how profitable a business can make each unit of capital, assets, or sales. The profitability of a business has a big impact on investor perceptions and stock purchase decisions, which in turn affect stock returns in the context of investing (Tandelilin, 2021). The potential return created by a company's shares increases with its profitability, according to empirical study (Faturohman et al., 2024; Jogiyanto, 2017). This is due to the fact that profitable businesses typically have strong growth potential and can reliably pay dividends, two attributes that investors greatly

value (Gitman et al., 2022).This ratio evaluates the net profit earned from total assets. The ability of management to effectively manage business resources in order to produce profits is reflected in a high ROA (Brigham & Houston, 2019). Investors sometimes interpret ROA as a measure of a company's potential for future growth and sound financial standing. In his signaling theory, Spence (1973) explains how management uses financial performance metrics, like return on assets (ROA), to communicate to investors about the state and future prospects of the company. The market interprets a high ROA as a good indicator, which raises investor confidence and increases demand for the company's stock. Higher share prices will result from this increased demand, which will ultimately boost investors' stock returns.*In line with this, several studies confirm the same conclusion: that increased ROA strengthens investors' perceptions of a company's ability to create value (firm value), which ultimately triggers share price increases and provides higher capital gains for shareholders (Faturohman et al., 2024; Damayanti et al., 2023; Ardiansyah & Lestari, 2023; Putra & Junaidi, 2021; Jogiyanto, 2017), particularly in blue-chip stocks like the LQ45 (Putri & Hidayat, 2025). However, other studies have found ROA to have no effect on share prices (Telaumbanua et al., 2025).*

Based on the theoretical description and empirical findings, the following hypothesis is formulated:

H1: Profitability ratio (ROA) affects stock returns.

B.2 The Effect of Liquidity Ratio on Stock Returns

Liquidity ratios describe a company's ability to meet short-term obligations. Ratios such as the current ratio (CR) and quick ratio (QR) are indicators used by investors to assess a company's short-term financial stability. Adequate liquidity reflects a company's health and ability to manage cash flow efficiently, which can provide a sense of security for investors and potentially increase stock prices and returns (Darmayanti, 2008). Companies with good liquidity tend to have a lower risk of bankruptcy (Spence, 1973; Barclay & Smith, 1995); and investors will respond positively (Brigham & Houston, 2022).

Empirical research shows a varying relationship between liquidity ratios and stock returns. A study by Putri & Fadillah (2022) showed that companies with good liquidity, reflected by proportional current assets, are able to increase investor confidence, thus impacting stock prices and stock returns. Similar research conducted by Haryanto et al. (2021) found that company liquidity, as measured by current assets, has a positive and significant effect on stock returns because investors have more trust in companies with liquidity resilience. Furthermore, Halim et al. (2023) also confirmed that good current asset management contributes to company stock performance, particularly in the manufacturing sector, by creating positive investor perceptions. Sari and Firmansyah (2024) showed that companies with excessively high liquidity levels can actually indicate idle cash or inefficient asset utilization, which can negatively impact stock returns. This means that excess liquidity that is not utilized for expansion or productive investment can reduce profit potential and the attractiveness of stocks to investors. Meanwhile, research by Putri and Kurniawan (2023) on trading sector companies listed on the Indonesia Stock Exchange showed that the current ratio had a positive but insignificant effect on stock returns. This indicates that while liquidity is important, investors prioritize long-term performance, such as profitability and earnings growth, over the ability to repay short-term debt.

Based on the theoretical description and empirical findings, the following hypothesis is formulated:

H2: Liquidity ratio (CR) affects stock returns.

B.3 The Effect of Solvency Ratio on Stock Returns

A company's long-term capacity to fulfill all of its financial commitments, especially those that are long-term, is shown by its solvency ratios. Investors frequently use these measures to assess a company's level of financial risk, including the Debt-to-Equity Ratio (DER), Debt-to-Asset Ratio (DAR), and Times Interest Earned (TIE). Because they disclose a company's funding structure, which affects risk and possible stock returns, solvency ratios are significant indicators in the context of stock investment (Brigham & Houston, 2022).The Debt to Equity Ratio (DER), which displays the proportion of debt to equity, is a crucial metric for examining a company's financial structure. Der is used to evaluate how much of a company's operations are financed by debt as opposed to owner capital. A higher DER indicates a larger reliance on debt by the corporation, which raises the underlying financial risk of the business. A high DER will raise interest costs and limit the company's ability to make strategic choices in the future.Theoretically, the relationship between DER and stock returns can be explained through the Trade-Off Theory (Kraus & Litzenberger, 1973). This theory states that companies will balance the benefits of using debt (such as tax reductions through interest expenses) with the financial costs arising from excessive debt use, such as the risk of bankruptcy or financial distress. Companies with a high DER will be perceived by the market as companies with a higher level of risk, thus affecting investor interest in the company's shares. This greater risk leads to higher stock price volatility and negatively impacts stock returns.Empirically, various studies have also shown consistent results regarding the effect of DER on stock returns. Rizki et al. (2023) found in their study that high DER levels significantly negatively impact stock returns because they increase investors' perceived financial risk. Similar findings were also presented by Hidayati & Suryanto (2022), who emphasized that companies with high debt structures tend to have a greater risk of stock price declines, thus affecting investor returns. Ramadhan & Prasetyo (2021) also found that DER negatively impacts stock

returns because higher debt increases the financial burden, which can depress profitability and reduce the potential for profit sharing with investors.

Based on the theoretical description and empirical findings, the following hypothesis is formulated:

H3: Solvency ratio (DER) affects stock returns.

B.4. The Influence of Dividend Policy on Stock Returns

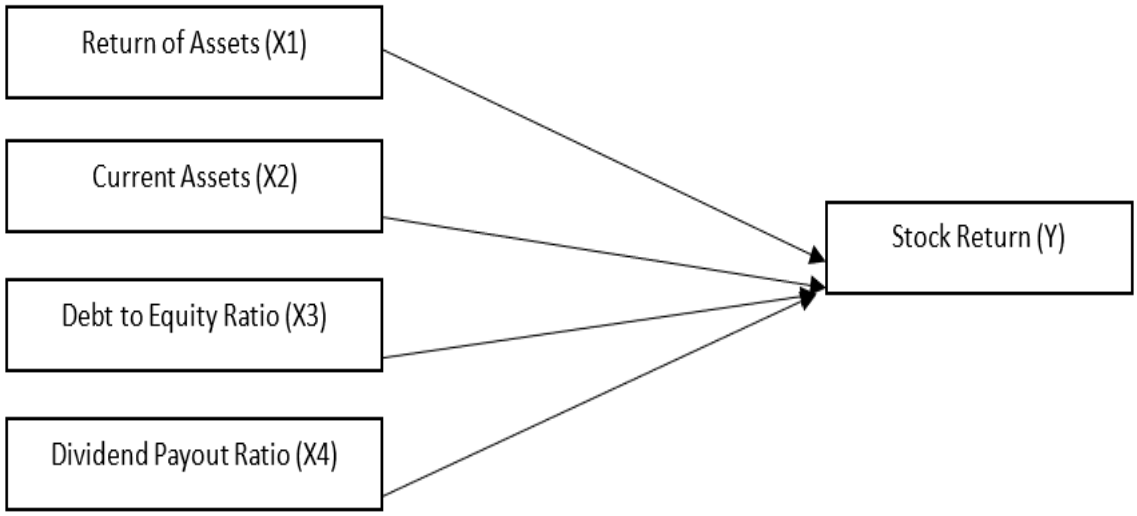
A company's choice to pay out profits to shareholders in the form of cash or stock is known as its dividend policy. The distribution of dividends is regarded by signaling theory as an indicator of a company's sound financial standing and promising future (Brigham & Houston, 2022). The market usually reacts favorably to a higher dividend payout ratio (DPR), which indicates that a larger percentage of profits are distributed directly to shareholders. Additionally, a number of earlier research have shown that DPR and stock returns are positively correlated.According to Halim et al. (2023) and Rizki et al. (2023), stock returns are significantly positively impacted by the dividend payout ratio. This is due to investors' perception that companies with high dividends tend to be more stable and safer for long-term investment. Furthermore, research byHandayani & Wahyudi (2021)also revealed that companies that regularly distribute dividends tend to have more attractive stock performance in the market.

Based on the theoretical description and empirical findings, the following hypothesis is formulated:

H4: Dividend policy (DPR) affects stock returns

C. Research Framework

This study aims to analyze the effect of profitability (ROA), liquidity (CR), and solvency (DER) ratios on stock returns of companies listed on the LQ45 index on the Indonesia Stock Exchange, with dividend policy (Dividend Payout Ratio) as a moderating variable. Each variable was selected based on theoretical justification and empirical findings supporting a causal relationship, both direct and indirect, with stock returns.



II. METHODOLOGY

III.1. Data Sources, Population, and Samples

This research model examines the causal relationship between independent and dependent variables using a quantitative, causal-associative methodology. All companies listed in the Indonesia Stock Exchange's (IDX) LQ45 index for the years 2021–2024 included the study's population. Purposive sampling was the method employed, and it was chosen based on the following standards:

a. The company was consistently listed in the LQ45 index during the research period.
b. The company publishes complete annual financial reports.
c. Fundamental ratio data is available during the observation period.

Secondary data was used, and it was sourced from the Indonesia Stock Exchange website. A sample of 23 organizations with complete data for the four years of observation was obtained through the data sorting process.

III.2. Research Variables and Their Measurement

The independent variables in this study are Return on Assets (ROA), Current Assets (CR), and Debt to Asset Ratio (DER); the moderating variable is Dividend Payout Ratio (DPR). The dependent variable is Stock Return (CAR). The details are as follows:

Table 1. Operational and Measurement Variables

No.	Variables	Measurement
1	Return on Assets (ROA)	Return on Assets (ROA) is a profitability ratio measurement tool, which measures how effective company management is in obtaining profits (Markonah et al., 2020); with the following formula: $\frac{Laba\ setelah\ pajak}{Total\ assets}\ x\ 100$
2	Current Ratio (CR)	The current ratio is obtained by comparing the company's current assets with its current liabilities (Sheisarvian et al., 2015). with the following formula: Current Ratio = Total Current Assets / Total Current Liabilities
3	Debt to Equity Ratio (DER)	According to Kasmir (2019:159), the debt-to-equity ratio is a ratio used to calculate a company's debt using equity. $Debt\ to\ Equity\ Ratio\ = \frac{Total\ Hutang}{Total\ Ekuitas} X100$
4	Dividend Payout Ratio (DPR)	The dividend payout ratio can be calculated as the yearly dividend per share divided by the earnings per share (EPS), or equivalently, the dividends divided by net income; with the following formula: $\text{Dividend Payout Ratio} = \frac{\text{Dividends Paid}}{\text{Net Income}}$
5	Stock Return (CAR)	CAR is a metric that measures the total abnormal return generated by a stock over a certain time period, with the following formula: Rt = (Pt – Pt-1) / Pt-1

Source: *Data processed by the researchers, 2025.*

III.3. DATA ANALYSIS TECHNIQUES

Multiple linear regression analysis was the data analysis method employed to ascertain the partial and simultaneous effects of each independent variable on stock returns. The IBM SPSS version 27 program was used to process the data. Autocorrelation, heteroscedasticity, multicollinearity, and normality tests were among the traditional assumption tests that were employed. The t-test, F-test, and coefficient of determination (R^2) were used to assess the significance of the variable's influence. The following is the regression equation model that was employed:

CP = α + β1ROA + β2CR + β3DER + β4DPR + ε

Information:

CAR = Cumulative Abnormal Return
ROA = Return on Assets
CR = Current Assets
DER = Debt to Equity Ratio
DPR = Dividend Payout Ratio
α = constant
β 1-7 = regression coefficient
ε = Error

III. RESULTS AND DISCUSSION

IV.1. Descriptive Statistical Analysis

Descriptive statistical analysis is used to provide an overview of the characteristics of the data in a study. This statistic aims to determine the maximum, minimum, average (mean), and standard deviation values of each variable used in the study, both dependent and independent variables. The results of this descriptive analysis provide an initial understanding of the general condition of the research variables before further analysis through regression. Furthermore, this information can be used to identify possible outliers or data deviations that could affect the accuracy of the statistical model.

Table 2.Descriptive Statistics

	N	Min	Max	Mean	Standard Deviation
ROA	92	0.35	45.43	9,8283	8,56558
CR	92	0.18	5.65	2,0171	1.24316
DER	92	0.11	6.57	1,1208	1.14541
DPR	92	0.00	2.88	0.4576	0.42553
CAR	92	-0.48	1.18	0.0193	0.31536
Valid N (listwise)	92				

Source: *Data processed by the researchers, 2025.*

Based on the results of Table 2, the Return on Assets (ROA) variable shows a minimum value of 0.35 and a maximum of 45.43. The average ROA value is 9.83 with a standard deviation of 8.57. This illustrates that the level of profitability of companies in the research sample varies significantly. The large standard deviation indicates significant differences between companies in utilizing their assets to generate profits. Furthermore, the Current Ratio (CR) variable, which represents company liquidity, shows a minimum value of 0.18 and a maximum of 5.65. The average current ratio is 2.02 with a standard deviation of 1.24. This average indicates that companies generally have a fairly good ability to meet their short-term obligations. However, there is considerable variation between companies, as evidenced by the presence of companies with very low to very high liquidity ratios.

For the Debt to Equity Ratio (DER) variable, the minimum value recorded was 0.11 and the maximum was 6.47. The average DER was 1.12 with a standard deviation of 1.15. This average figure reflects that companies generally have a balanced capital structure between the use of debt and equity. However, the wide distribution of data also indicates that there are companies with a much larger proportion of debt compared to their equity. Meanwhile, the Dividend Payout Ratio (DPR) variable had a minimum value of 0.00 and a maximum of 2.88. The average DPR value was 0.46 with a standard deviation of 0.43. This indicates that most companies tend to distribute approximately 46% of their profits as dividends to shareholders. However, the presence of a minimum value of 0.00 indicates that there are companies that do not distribute dividends at all.

Finally, the Cumulative Abnormal Return (CAR) variable showed a minimum value of -0.48 and a maximum of 1.18. The average CAR value was quite low, at 0.02, with a standard deviation of 0.32. The average, which was close to zero, even had negative values, indicated that some companies had very low levels of capital adequacy or even a capital shortage, which could impact the company's long-term financial stability.

IV.2. The Results of Classical Assumption

The normality test aims to determine whether the residual data in a regression model is normally distributed. One method used in this study is to examine the Normal Probability Plot (PP Plot) of the standardized residuals.

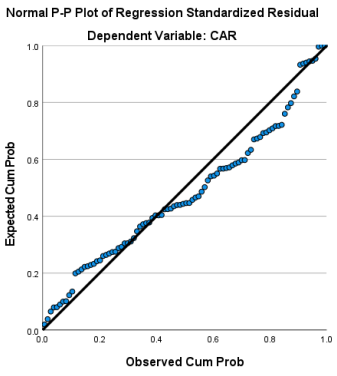


Figure 1. Normality Test

Source: *Data processed by the researchers, 2025*

Based on the figure, the data points representing the observed residual cumulative probabilities tend to follow the diagonal line, representing a normal distribution. The points are mostly densely and consistently distributed along the diagonal line, although there are slight deviations at the lower and upper ends. However, these small deviations are tolerable because the overall pattern still tends to follow the normal line. Thus, it can be concluded that the residuals from the regression model are

normally distributed. This indicates that the regression model used in this study meets the assumption of normality, allowing the results of the regression analysis to be further interpreted validly.

VI.3. Multicollinearity Test

Multicollinearity testing aims to determine whether there is a correlation between independent variables. This study uses Tolerance values (> 0.1) and VIF (< 10). Based on the test results, all variables have Tolerance values above 0.1 and VIF values below 10. Therefore, it can be concluded that the regression model in this study has met the assumption of being free from multicollinearity, so no multicollinearity was found between the independent variables in the model.

Table 3. Multicollinearity Test

Variables	Tolerance	VIF
ROA	0.923	1,084
CR	0.677	1,477
DER	0.682	1,466
DPR	0.897	1,115

Source: *Data processed by the researchers, 2025*

VI.4. Heteroscedasticity test

The heteroscedasticity test is performed to determine whether there is inequality in the variance of the residuals. Furthermore, the probability value from the Park test is used to determine the presence or absence of heteroscedasticity.

Table 4. Heteroscedasticity Test

Variable	Coefficients	Std. Error	t	Prob.
(Constant)	0.087	0.067	1,290	0.201
ROA	0.005	0.003	2.101	0.039
CR	0.020	0.021	0.948	0.346
DER	0.057	0.022	2,568	0.012
Z	-0.071	0.053	-1,344	0.182

Source: *Data processed by the researchers, 2025*

Based on Table 4, the heteroscedasticity test results indicate that not all variables in this model are free from heteroscedasticity. The ROA and DER variables indicate heteroscedasticity, as their probability values are less than 0.05. Meanwhile, the CR and DPR variables do not exhibit any signs of heteroscedasticity.

VI.5. Autocorrelation test

The autocorrelation test is performed using Durbin-Watson (DW). Data is declared autocorrelation-free if the DW value is ± 2. In the Model Summary output, the Durbin-Watson value is 1.904. This value is between the lower limit (dL) and 4-dL, although it is not completely in the autocorrelation-free zone. However, overall, a DW value close to 2 indicates the absence of autocorrelation. Given that the DW value of 1.904 is still quite close to 2 and does not show extreme numbers (close to 0 or 4), it can be concluded that the regression model does not experience significant autocorrelation problems.

Table 5. Auto-correlation Test

Model	Durbin-Watson
1)	1,904

Source*: Data processed by the researchers, 2025.*

VI.6. Hypothesis testing

The hypothesis testing in this study aims to analyze the influence of ROA, CR, DER, and DPR on stock returns separately. Based on panel data regression estimates, significance values for each variable are obtained, as shown in the table below.

Table 6. **Summary of Hypothesis Testing Results**

	Unstandardized Coefficients	Std. Error	t	Prob.	Conclusion
(Constant)	-0.030	0.102	-0.297	0.768	-
ROA	0.011	0.004	2,801	0.006	H1 accepted

CR	0.000	0.031	-0.007	0.994	H2 rejected
DER	0.011	0.034	0.328	0.743	H3 rejected
DPR	-0.153	0.080	-0.206	0.058	H4 accepted
R Square	0.101				
Adjusted R2	0.060				
F-statistic	2,444				
Prob.	0,000				

Source: *Data processed by the researchers, 2025. Notes: N=92; DV = Stock Return*

The R Square value of 0.101 indicates that this regression model is able to explain the influence of independent variables on Stock Returns by 10.1%, while the remaining 89.9% is influenced by other variables outside this research model. Meanwhile, the Adjusted R^2 value of 0.060 indicates that after being corrected for the number of variables and samples, the model only explains 6% of the variation in Stock Return changes. Furthermore, the F-statistic value of 2.444 with a probability of 0.000 (<0.05) indicates that the simultaneous regression model is suitable for predicting Stock Returns.

DISCUSSION

VI.6.1 The Effect of ROA on Stock Returns

With a significance value of 0.006 (less than 0.05), the test results demonstrate that Return on Assets (ROA) significantly and favorably influences stock returns. This suggests that investor confidence in a company's prospects increases with the company's capacity to turn a profit from all of its assets. An increase in ROA will give investors a good indication of how well the company's management is handling its assets, which will raise share prices and have a direct effect on stock returns.

This result is consistent with Spence's (1973) Signaling theory, which holds that a company's publicly available financial data will give the market a signal about the state and future prospects of the company. A high return on assets (ROA) is a sign that the business is doing well financially, which boosts investor confidence. These findings also corroborate earlier studies by Brigham and Houston (2019) and Husnan (2015), which found that a company's profitability is a significant factor in determining stock value.

VI.6.2 The Effect of CR on Stock Returns

The current ratio (CR), which has a significance value of 0.994 (greater than 0.05), has no discernible impact on stock returns. The ability of a business to satisfy short-term obligations with its current assets is gauged by CR. This finding, however, suggests that investors do not primarily use a company's liquidity status to forecast stock gains. Investors place greater weight on financial metrics that are more closely linked to a business's capacity to turn a profit or distribute dividends than just its capacity to fulfill immediate commitments.

This result is consistent with Kasmir's (2017) opinion, which states that CR is more relevant to creditors than to stock investors. CR reflects more on short-term financial management aspects, while for investors, information related to a company's profits and growth potential has a more direct impact on expected returns.

VI.6.3 The Effect of DER on Stock Returns

Debt to Equity Ratio (DER) does not have a significant effect on stock returns**,** with a significance value of 0.743 (greater than 0.05). DER is an indicator that describes a company's capital structure and its level of dependence on debt financing. This lack of significant influence indicates that a company's leverage level does not significantly influence investors' considerations when making stock investment decisions, especially as long as the company remains able to manage its obligations reasonably. This result aligns with research conducted by Weston and Brigham (2014), which states that capital structure or leverage levels do not always directly affect stock prices. Investors focus more on a company's profitability prospects and earnings stability, rather than on the composition of the company's funding sources.

VI.6.4 The Influence of DPR on Stock Returns

The dividend payout ratio, or DPR, affects stock returns. This finding can be read as showing that dividend distribution policy has a favorable effect on stock returns, even though the significance value of 0.058 is around 0.05. Investor confidence in the stability and sustainability of a company's financial performance increases with the DPR that the company sets. The theory is supported by this.According to the Dividend Signaling Hypothesis (Lintner, 1956; Gordon, 1963), a company's dividend distribution is a sign of good fortune for future profits. Because dividends are regarded as a significant indicator of a company's financial health and performance, investors are more likely to pay attention to companies that consistently distribute them, according to research by Tandelilin (2017). The findings of this study also corroborate this finding.

IV. CONCLUSION

The impact of a number of financial factors, such as the profitability ratio (ROA), liquidity ratio (CR), solvency ratio (DER), and dividend policy (DPR), on stock returns in companies listed in the Indonesia Stock Exchange's LQ45 index between 2021 and 2024 is thoroughly examined in this study. According to the analysis, stock returns are positively and significantly impacted by ROA (Return on Assets), a profitability indicator. This suggests that the possibility for larger returns for investors increases with a company's capacity to produce a profit from all of its assets. This result is consistent with signaling theory, which holds that a company's performance and future prospects are positively communicated to the market by high profitability.

However, there was no discernible impact of the Current Ratio (CR), which measures a company's liquidity, on stock returns. As long as a business continues to run steadily, investors are more interested in a company's capacity to turn a profit than in its liquidity, thus this makes sense. Additionally, the Debt to Equity Ratio (DER) variable demonstrated a negligible negative impact on stock returns. Accordingly, as long as the debt is effectively managed to enhance business success, a high debt-to-equity ratio does not always affect investors' decisions to buy shares.Furthermore, the Dividend Payout Ratio (DPR) variable showed significant results in influencing stock returns, as dividend policy provides a strong signal to the market regarding the company's prospects and financial stability. The more consistently a company distributes dividends, the greater investor confidence, which positively impacts stock returns.

Simultaneously, these four variables contribute to the fluctuation of LQ45 stock returns, although each variable has a different degree of influence. This research finding aligns with modern financial theories such as signaling theory, dividend theory, and capital structure theory, which state that internal company factors, both financial performance and dividend policy, can influence investor perceptions and stock price movements in the market.

REFERENCE

1) Adiandari, A. M., & Astuti, N. K. A. (2023). Influence of Current Ratio (CR), Return on Equities (RoE) and Price Earnings Ratio (PER) on Share Prices: Study of Companies in Various Industrial Sectors Listed on the Stock Exchange Indonesian Effects 2018-2021. *International Journal of Science and Society*, 5(5), 321-331
2) Barclay, M. J., & Smith, C. W. (1995). The Priority Structure of Corporate Liabilities. Journal Of Finance, 50(3), 899-917.
3) Bhattarai, Y. (2022). The Effect of Dividend Per Share on Stock Price: Evidence from Nepal. International Journal of Economics and Financial Issues, 12 (1), 45-51.
4) Brigham, E. F., & Houston, J. F. (2019). Fundamentals Of Financial Management. 15th Edition. Cengage Learning.
5) Brigham, E. F., & Houston, J. F. (2019). Fundamentals Of Finansial Management (15th Ed.). Cengage Learning.
6) Damayanti, I., Kurniawan, T., & Wahyudi, S. (2023). The Role of Finansial Performance in Predicting Stock Returns: Evidence from Asean Companies. Asian Journal of Business and Accounting, 16(1), 121-138.
7) Fama, E. F., & French, K. R. (1992). The Cross-Section of Expected Stock Returns. The Journal Of Finance, 47(2), 427-465.
8) Faturohman, F., Riyanti, R., & Hakim, L. (2024). Liquidity, Solvability, Profitability, And Company Size Impact On Stock Prices In Health Service Companies On The Indonesia Stock Exchange. Journal Research Of Social Science, Economics, And Management, 4(3), 339-354.
9) Gordon, M. J. (1963). Optimal Investment And Financing Policy. The Journal Of Finance, 18(2), 264-272.
10) Halim, M. E., Wijaya, M. E., & Santoso, H. B. (2023). The Impact Of Current Assets On Stock Return In Manufacturing Firms: Evidence From Indonesia. International Journal Of Business And Society, 24(1), 90-104.
11) Halim, M. E., Wijaya, M. E., & Santoso, H. B. (2023). The Impact Of Dividend Policy On Stock Return In Indonesia: Evidence From Manufacturing Sector. Journal Of Economics And Business, 8(1), 92-104.
12) Handayani, S. W., & Wahyudi, T. (2021). The Effect Of Dividend Policy And Finansial Performance On Stock Returns. Jurnal Akuntansi Multiparadigma, 12(3), 516-531.
13) Haryanto, S., Pratama, D. A., & Anggraeni, N. (2021). The Effect Of Liquidity On Stock Return: Evidence From Indonesia Stock Exchange. Jurnal Dinamika Akuntansi, 13(2), 205-216.
14) Hidayati, N., & Suryanto, T. (2022). The Effect Of Financial Leverage On Stock Return In Manufacturing Companies In Indonesia. Jurnal Keuangan Dan Perbankan, 26(3), 451-463.
15) Husnan, S. (2015). Dasar-Dasar Teori Portofolio Dan Analisis Sekuritas. Upp Stim Ykpn.
16) Jogiyanto, H. (2017). Teori Portofolio Dan Analisis Investasi (11th Ed.). Bpfe Yogyakarta.
17) Jogiyanto. (2010). Teori Portofolio Dan Analisis Investasi (Edisi Ke-7). Bpfe Yogyakarta.
18) Kasmir. (2017). Analisis Laporan Keuangan. Jakarta: Raja Grafindo Persada.
19) Kraus, A., & Litzenberger, R. H. (1973). A State-Preference Model Of Optimal Finansial Leverage. The Journal Of Finance, 28(4), 911-922.

20) Lintner, J. (1956). Distribution Of Incomes Of Corporations Among Dividends, Retained Earnings, And Taxes. The American Economic Review, 46(2), 97-113.
21) Markonah, M., Salim, A., & Franciska, J. (2020). THE EFFECT OF PROFITABILITY, LEVERAGE, AND LIQUIDITY ON COMPANY VALUE. Dinasti International Journal of Economics, Finance & Accounting, 1(1).
22) Nugroho, R., & Astuti, D. (2023). The Effect Of Dividend Payout Ratio On Stock Prices Of Lq 45 Companies. Journal Of Economics And Finance, 14 (1) , 47-56.
23) Policy On Company Value With Profitability As An Intervening Variable In Lq45
24) Pramana, T., Adam, M., Widiyanti, M., & Isnurhadi, I. (2024). The Effect Of Dividend Companies. Jurnal Indonesia Sosial Teknologi, 5(9), 3404-3414. Https://Jist.Publikasiindonesia.Id/Index.Php/Jist/Article/View/1740
25) Putra, I. M. G. D., & Junaidi, A. (2021). The Effect Of Profitability And Leverage On Stock Returns: Evidence From Indonesia. Jurnal Dinamika Akuntansi, 13(1), 71-85.
26) Putri, D. C., & Haryanto. (2022). Analisis Pengaruh Rasio Keuangan Terhadap Return Saham Pada Perusahaan Indeks LQ45 Di Bursa Efek Indonesia. *Jurnal Ekonomi dan Bisnis, 25*(1), 45-58
27) Putri, D. D., & Hidayat, R. A. (2025). The Effect Of Profitability, Leverage, And Liquidity On Company Value WithDividend Policy As A Moderating Variable. Majapahit Journal Of Islamic Finance And Management, 5(1), 835-852.
28) Putri, P. N., & Fadillah, R. (2022). The Impact Of Liquidity And Financial Performance On Stock Returns: Empirical Study In The Indonesian Capital Market. Jurnal Ekonomi Dan Bisnis, 25(2), 119-133.
29) Ramadhan, A. P., & Prasetyo, A. B. (2021). The Influence Of Financial Ratios On Stock Returns: Evidence From Indonesian Manufacturing Firms. Jurnal Ekonomi Dan Bisnis, 24(2), 133-145.
30) Rizki, M., Haris, M., & Lestari, S. (2023). The Effect Of Capital Structure On Stock Returns In The Indonesian Manufacturing Industry. Journal Of Accounting And Business Education, 8(1), 21-34.
31) Rizki, M., Haris, M., & Lestari, S. (2023). The Effect Of Capital Structure OnDividend Policy And Stock Returns. Journal Of Accounting And Business Education, 8(1), 21-34.
32) Sari, M., & Kartika, D. (2022). Analysis Of The Influence Of Dpr On Stock Prices In Banking Companies On The Idx. Indonesian Journal Of Accounting And Finance, 19 (2) , 89-98.
33) Sari, N., & Wijayanto, A. (2020). Analisis Faktor-faktor yang Mempengaruhi Harga Saham Perusahaan LQ45 di Bursa Efek Indonesia. *Jurnal Manajemen Bisnis, 17*(2), 110-125
34) Setiawan, B., & Handayani, R. (2023). Determinasi Kebijakan Dividen pada Perusahaan Manufaktur yang Terdaftar di Indeks LQ45. *Jurnal Ekonomi dan Bisnis Indonesia, 38*(1), 60-75
35) Sosrowidigdo, S., & Riska. (2024). Analisis Pengaruh Return On Asset , Debt To Equity Ratio Terhadap Return Saham (Studi Empiris Pada Perusahaan Transportasi Dan Logistik Yang Terdaftar Di Bursa Efek Indonesia (Bei) Periode 2019-2023) Analysis Of The Effect Of Return On Asset , Debt To. November, 6977–6983.
36) Spence, M. (1973). Job Market Sic Ng. The Quarterly Journal Of Economics, 87(3), 355-374.
37) Spence, M. (1973). Job Market Signaling. The Quarterly Journal Of Economics, 87(3), 355-374.
38) Spence, M. (1973). Job Market Signaling. The Quarterly Journal Of Economics, 87(3), 355-374
39) Tandelilin, E. (2017). Portofolio Dan Investasi: Teori Dan Aplikasi. Yogyakarta: Kanisius.
40) Weston, J. F., & Brigham, E. F. (2014). Manaj V N Keuangan. Jakarta: Erlangga.
41) Wulandari, A., & Putra, R. (2023). Return On Assets And Stock Prices: Empirical Evidence In The Manufacturing Sector. Journal Of Management Science And Applied Accounting, 14 (1) , 33-42.
42) Yuliani, T., & Nuryanto, W. (2022). The Effect Of Capital Structure On Dividend Policy: Evidence From Indonesia. Jurnal Keuangan Dan Perbankan, 26(4), 622-633.