ePaper Bisnis : International Journal of Entrepreneurship and Management

E-ISSN: 3047-907X
P-ISSN: 3047-9061

Research Article

The Effect Of Profitability, Liquidity, Leverage, And Firm Size On Stock Returns

(A Study on Manufacturing Sector Companies Listed on the Indonesia Stock Exchange)

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Abstract: Stock return refers to the income received by investors from their investment in a firm, either directly or through a securities firm. The level of stock return is crucial in investment analysis as it serves as a key indicator for investors in evaluating the performance and profit potential of a stock. This study aims to examine the effect of profitability, liquidity, leverage, and firm size on stock returns in manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. The sampling technique used was purposive sampling, resulting in a sample of 65 companies. Data analysis techniques employed include descriptive statistics and inferential statistics, processed using IBM SPSS 25. The findings indicate that profitability has a significant positive effect on stock return, liquidity has a significant positive effect, leverage has a significant negative effect, and firm size also has a significant positive effect on stock return. The implications of this study are expected to provide empirical contributions regarding the influence of these variables on stock returns and to offer managerial insights and additional references for corporate decision-making aimed at increasing stock returns.

Keywords: Firm size; Leverage; Liquidity; Profitability; Stock return

1. Introduction

The capital market serves as an indicator of a country's economic development while also playing a key role in supporting its economic growth (Cholisna, 2019). It is a platform where parties with surplus funds meet those in need of funds through securities transactions. The capital market can also be defined as a market that deals in long-term financial instruments, such as stocks, bonds, and mutual funds. It acts as a financial intermediary, highlighting its crucial function in linking fund seekers with fund providers. By enabling investors to choose investments that offer optimal returns, the capital market facilitates more efficient fund allocation (Tandelilin, 2017: 25).

The capital market is influenced by both macroeconomic and microeconomic conditions. Microeconomic factors include firm performance, financial statement information, and dividend policies. Macroeconomic factors comprise exchange rate fluctuations, reserve funds, interest rates, and government policies, including incentives or tax exemptions. These factors significantly influence capital market movements and are of particular concern to financial sector stakeholders and decision-makers (Supriatna et al., 2025).

In Indonesia, the capital market plays a vital role in promoting economic development and growth. Increasing public interest in capital market activities, the rising number of listed companies (issuers), and supportive government investment policies underscore this. According to Capital Market Law No. 8 of 1955, the capital market has a strategic role in national development, functioning as a source of funding for business sectors and a means of investment for the broader public (Prayoga et al., 2024).

Investment is a commitment of funds or other resources made in the present with the expectation of future returns (Tandelilin, 2017: 2). The era of globalization and technological

Received: May, 17,2025;
Revised: May, 31, 2025;
Accepted: June, 10,2025
Published: June, 12,2025
Curr. Ver.: June, 12 2025

advancement has made it easier for individuals to invest, providing profit opportunities for investors. Stocks are among the most attractive instruments in the capital market, as they represent ownership in a firm (Bawoel et al., 2025). The benefits of capital market investment are reflected in the returns obtained from selecting the right stocks. High-return stocks are often the primary consideration for investors when making investment decisions (Seran & Wirama, 2025).

Investors place great importance on stock returns, as they aim to maximize their gains. Stock returns also allow investors to compare a firm's performance with its peers (Jogiyanto, 2017: 283). Returns are vital as they project future profits and compensate for the time and risk involved in investing. Investor demand and supply for stocks influence share prices—when stock prices rise, investors receive higher returns, which boosts their investment income.

Returns are a primary motivator for investors and serve as compensation for taking investment risks (Tandelilin, 2017: 113). The success of an investment is often measured by the increase in stock returns or the value of investment results. However, investment value can also decline below the initial capital. Investments can take many forms, such as in gold, mutual funds, property, or stocks. A common form is purchasing shares in a firm. Companies list their stocks or disclose financial reports on the Indonesia Stock Exchange (IDX) to attract investor interest.

According to Sutanto (2021), stock returns represent the outcomes of investment activities and are the main goal for investors. Higher returns are more appealing, especially when accompanied by strong firm performance. The better a firm's financial performance, the higher its stock price is expected to be, providing profits for investors. Stock returns reflect the gains or losses investors experience, whether through price changes or dividends. They are often used as key indicators for evaluating investment effectiveness and stock market conditions.

Investment returns consist of two main components: yield and capital gain (or loss). Yield refers to the periodic income or cash flow from an investment, such as bond interest or stock dividends. Capital gain or loss refers to changes in the value of financial instruments like stocks or long-term bonds, resulting in investor gains or losses. Capital gains are realized from price appreciation, while capital losses result from depreciation (Tandelilin, 2017: 114). Returns may be realized (based on historical data) or expected (projected for the future). Realized return serves as a performance indicator and a basis for estimating future expected returns and risks.

Stock returns are influenced by various factors, including both fundamental and technical information. Modeling is essential in evaluating stock prices and assisting investors in effective investment planning and decisions. Investors often use fundamental and technical analysis strategies to succeed. Micro fundamental analysis involves assessing a firm's historical strength, also known as firm analysis. It incorporates internal data and external factors relevant to the business. Technical analysis, on the other hand, uses historical trading data—such as stock prices, volume, and market indicators—to predict price movements and inform investment decisions (Adnyana, 2020: 16).

Signaling theory, introduced by Spence (1973), posits that parties with more information can send signals to reduce information asymmetry. Ross (1977) extended this concept to finance, proposing that management conveys information through signals to influence investor perceptions of firm value. This theory underscores the importance of the information conveyed by firms regarding investment decisions to assure external parties that the firm remains in a strong condition. However, this may lead to misinterpretations if external parties believe reported profits genuinely reflect performance, rather than being managed to send positive signals (Alfahruqi et al., 2020).

The relevance of signaling theory in this study lies in the idea that financial reports are often perceived as signals by investors when assessing a firm's performance. Financial reports, particularly financial ratios, serve as tools for providing signals to investors and stakeholders in decision-making. Stock return itself can act as a signal used by investors to determine their investment decisions. The relationship between signaling theory and stock return becomes evident when a firm's stock price rises, potentially followed by an increase in returns.

Information obtained by investors can serve as a signal for considering capital investment in a firm (Fradana & Widodo, 2023).

The average stock return of manufacturing sector companies listed on the IDX over four years is presented in Table 1. The average stock return for the manufacturing sector showed a significant increase in 2021 compared to 2020. In 2020, the stock return was 11.21%, which then rose sharply to 36.47% in 2021. This growth was influenced by the post-COVID-19 economic recovery phase, which his increase was influenced by the post-COVID-19 economic recovery phase, in which various economic sectors, including manufacturing, experienced revitalization driven by increased public consumption, government stimulus, and improved investor confidence. However, in 2022, the average stock return in the manufacturing sector declined to 24.65%, and further decreased in 2023 to 15.02%. This decline may be attributed to global economic instability, rising interest rates, and geopolitical tensions that affected investor sentiment and market performance.

Fluctuations in stock returns indicate that investors must consider various financial indicators to make informed investment decisions. Among the most frequently analyzed indicators are profitability, liquidity, leverage, and firm size. These indicators provide insights into a firm's financial health, operational efficiency, and risk profile, all of which are crucial in evaluating its potential to generate returns.

Profitability reflects a firm's ability to generate earnings relative to its expenses and other costs. A higher profitability ratio often signals strong financial performance, which may lead to increased investor interest and higher stock returns. Liquidity, on the other hand, indicates a firm's capability to meet short-term obligations and maintain financial flexibility. Companies with high liquidity are generally viewed as less risky, potentially attracting more investors.

Leverage, or the level of debt used in a firm's capital structure, represents the financial risk borne by the firm. While leverage can enhance returns during favorable economic conditions, excessive leverage may expose the firm to solvency risks and reduce investor confidence, thereby negatively impacting stock returns. Firm size, typically measured by total assets or market capitalization, is another factor that may influence stock returns, as larger firms often possess greater resources, market power, and stability compared to smaller firms.

Based on the background above, this study aims to examine the effect of profitability, liquidity, leverage, and firm size on stock returns of manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2023 period.

Table 1. Average Return of Manufacturing Sector Stocks for the Period 2020-2023

Year	Average Stock Return (%)
Year 2020	11.21
Year 2021	36, 47
Year 2022	7, 96
Year 2023	9.81

Source:Secondary Data Processed, 2024

ReturnStocks are influenced by two main types of factors, namely micro factors and macro factors. Micro factors include internal aspects of the firm such as profitability ratios, book value per share, debt to equity ratios, market ratios, earnings per share, and various other financial ratios. Macro factors include external elements that are outside the firm's environment, such as inflation, domestic interest rates, foreign exchange rates, and general economic conditions.(Graceet al., 2023).

This study chooses to use internal factors because these factors can be controlled and optimized by the firm, so that they can provide benefits and advantages for related parties. These internal factors can also be used as indicators for investors in obtaining information to make investment decisions. Unlike internal factors, external factors cannot be changed or controlled.(Nandyayani & Suarjaya, 2021).

This study uses the firm's internal fundamental factors, namely profitability, liquidity, leverage and firm size. The first internal firm factor that can affect stock returns is

profitability. Profitability is the ability of an operational activity to generate profits and at the same time as a measure of efficiency in firm management.(Dewi & Sudiartha, 2019). This indicator is one of the important measures in assessing financial performance, because it reflects the effectiveness of the firm in utilizing its resources to gain profit. A high level of profitability reflects the firm's healthy financial performance, thus encouraging investors to maintain their share ownership. The firm's ability to generate large, stable, and sustainable profits is a form of delivering relevant information for investors and creditors in assessing business prospects, as explained in signal theory. Information about high profitability provides a positive signal that the firm has promising profit prospects, thus encouraging a quick response from investors.(Bimo et al., 2022).

A high level of profitability indicates a healthy financial condition and good business growth potential, while low profitability may indicate operational inefficiencies or financial problems that require strategic handling.(Arif & Hudaya, 2025).

Kasmir (2019:114) stated that the profitability ratio aims to assess how much a firm is able to generate profits in a period. This ratio describes the percentage of net profit obtained from each sale. The higher the ratio, the higher the firm's ability to generate profits. This study is proxied by Return on Assets (ROA). ROA can be used as a tool to measure the effectiveness of a firm in generating profits through the utilization of its assets. An increase in ROA indicates that the firm's performance is improving. The positive impact of a sustainable increase in ROA is an increase in the firm's stock price.(Nurdyastuti et al., 2024).

Signal theory explains that actions taken by a firm serve as signals to investors, showing how management can improve the firm's future prospects, which can be seen from financial reports containing profit information as a form of firm performance. Investors will be more confident that management is able to meet their expectations because the greater the profit obtained by the firm shows better performance. This increase in profit attracts the attention of investors because they see positive prospects for the firm in the future which causes the firm's stock price to increase, and ultimately increases the returns received by investors.(Lestari et al., 2022).

Empirical evidence proves that the effect of profitability on stock returns shows different results. Aprilia et al., (2023), Dewi & Sudiartha, (2019), and Nofitasari & Adi, (2021),Alvianita & Rivandi, (2023),Yolanda et al., (2025)shows that profitability has a positive influence on stock returns. This is different from researchLestari et al., (2022)shows that profitability has no effect on stock returns.

The second factor that affects stock returns is liquidity. The liquidity ratio measures the comparison between current assets and current liabilities. The level of liquidity of a firm can affect investors' decisions in investing their capital, where investors tend to prefer companies that have high levels of liquidity compared to companies with low liquidity or no liquidity at all.(Lestari et al., 2022). Liquidity shows the firm's ability to meet its short-term financial obligations using available funds (Wiagustini, 2014:76). Liquidity can be measured using the current ratio (CR), which shows the firm's ability to pay its current obligations using current assets.

Based on the signal theory, companies with good liquidity provide a positive signal to investors. High levels of liquidity indicate that the firm's shares attract investors, so that demand for shares increases. This increase in demand drives up stock prices, which ultimately has an impact on increasing returns obtained by investors.(Lestari et al., 2022).

Empirical evidence suggests that the effect of liquidity on stock returns shows different results. Research conducted byYolanda et al., (2025),Nofitasari & Adi, (2021)shows that liquidity has a positive effect on stock returns. This is different from research conducted byLestari et al., (2022), indicating that liquidity does not have a positive effect on stock returns.

The third internal firm factor that affects stock returns is leverage. The leverage ratio functions to measure the extent to which a firm is able to manage assets obtained through debt financing, both short-term and long-term debt. The leverage ratio shows the comparison between the total debt owned by the firm and the total assets controlled, so that it can provide an overview of the firm's capital structure.(Hendayana et al., 2024).

Kasmir (2019:112) states that the leverage ratio shows the extent to which a firm's assets are financed by debt and how much debt the firm bears. This ratio can be seen from the firm's

ability to meet its obligations, both in the short and long term. Leverage can be measured using the Debt to Equity Ratio (DER), which is a ratio that compares the total debt with the total equity owned by the firm. DER provides an overview of the composition of the firm's capital structure, so that it can be seen to what extent the firm's risk is in terms of inability to pay its debts. The smaller the DER value, the better the firm's condition is considered because it shows that the firm is better able to meet its obligations using its own capital rather than relying on debt from external parties.(Martha & Asari, 2021).

Signal theory explains that the management of the firm will provide signals through information related to the amount of assets and debts of the firm to interested parties. This information is considered by investors in decision making. A high leverage ratio reflects poor firm performance because dependence on external financing increases. A high Debt to Equity Ratio (DER) often makes stock prices low, because profits are more often allocated to pay debts than to distribute dividends.(Lestari et al., 2022).

Empirical evidence suggests that the effect of leverage on stock returns shows varying results. Research conducted by Dewi & Sudiartha, (2019),Dewi et al., (2025),Nurdyastuti et al., (2024)shows that leverage has a negative effect on stock returns. This is different from research conducted byLestari et al., (2022), does not have a negative effect on stock returns.

The fourth internal firm factor that affects stock returns is firm size. Firm size is one of the important considerations for investors in making stock investment decisions, which can be measured from the total assets owned by the firm. Information on firm size is considered useful for investors and managers in utilizing the firm's financial data optimally.(Yolanda et al., 2025). Large-scale companies generally have a higher level of popularity in society, making it easier for external parties to obtain relevant information. The availability of this information has the potential to increase the perception of the firm's value.(Ramadhani & Wahjudi, 2024).

Signal Theory states that the larger the firm size, the greater its opportunities in the capital market. Larger companies are considered more stable, so their stock prices increase and the resulting stock returns are also higher, which ultimately attracts investors to invest. This statement is supported by research by Dewi and Sudhiarta (2019), which shows that firm size has a significant positive effect on stock returns. Firm size in this study can be proxied by total assets. Firm size is measured based on total assets expressed by the natural logarithm. The larger the firm size, the more established the firm is, and the greater its opportunities in the capital market. Information about firm size can increase investor confidence and increase stock returns(Jaya, 2020).

Empirical evidence suggests that the effect of firm size on stock returns shows different results. (Dewi & Sudiartha, 2019), Dewi et al., (2025),Amareta, (2021),Cholisna, (2019)which shows a positive influence of firm size on stock returns. This is different from researchAlvianita & Rivandi, (2023)shows that firm size does not affect stock prices. Research byYolanda et al., (2025)also stated that firm size has a negative effect on stock returns.

Estimation of fundamental factors through financial ratios is often accompanied by consideration of firm value in the investment decision-making process by investors.Firm value reflects investors' perceptions of the firm's success and is often linked to stock prices. Firm value is measured using the ratioPrice to Book Value(PBV), which can be used to assess whether a stock is expensive or cheap compared to other stocks. The higher the PBV value, the higher the market price of the stock. This increase in market price has the potential to increasecapital gains(actual return) obtained from the shares(Kumala & Ahya, 2020).

Based on the phenomena that have been described and the level of consistency of the results of previous studies, the researcher is interested in conducting further research on the influence of profitability, liquidity, leverage and firm size on stock returns of manufacturing sector companies listed on the Indonesia Stock Exchange (IDX).

2. Method

This study uses a quantitative approach with a causal associative design, which aims to test the influence between independent variables in the form of profitability, liquidity, leverage, and firm size on the dependent variable, namely stock returns. The selection of this design allows for the analysis of the causal relationship between the variables tested statistically. The study focused on manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period by utilizing secondary data sourced from

the firm's annual financial reports accessed through the official IDX website and the websites of each firm (Sugiyono, 2023: 65; www.idx.co.id).

The object of this study is stock returns, which are calculated based on capital gain/loss and expressed in percentage, while the independent variables consist of profitability (ROA), liquidity (CR), leverage (DER), and firm size (Ln total assets). Each variable is operationally defined using relevant financial indicators in accordance with literature standards and financial accounting practices. This study uses data from 65 companies selected through a purposive sampling method based on certain criteria, such as the presentation of complete financial statements in rupiah and the sustainability of profits during the study period (Wiagustini, 2014: 87–90; Aprillia & Amanah, 2023).

The type of data used is quantitative with secondary data sources in the form of financial reports that have been officially published. The data collection method is carried out through non-participant observation, where researchers collect information without direct involvement in the research object, but through analysis of the firm's historical documents. The total observation data used in this study was 260 observations (65 companies x 4 years), so that the results of the analysis are expected to be able to represent the causal relationship between variables with a high level of accuracy and reliability (Sugiyono, 2023: 9, 16, 204).

The data analysis technique in this study involves two main approaches, namely descriptive statistics and inferential statistics. Descriptive statistics are used to describe data through measures such as mean, standard deviation, variance, maximum and minimum values, and distribution indicators such as skewness and kurtosis (Ghozali, 2021). Meanwhile, inferential statistics include multiple linear regression analysis to test the effect of several independent variables (profitability, liquidity, leverage, and firm size) on the dependent variable (stock return) through a regression equation. The validity of the model is tested using the classical assumption test, including normality, autocorrelation, multicollinearity, and heteroscedasticity tests. The coefficient of determination (R^2) test, F test, and t test are also used to evaluate the feasibility and significance of the model simultaneously or partially (Ahmaddien & Syarkani, 2019; Ghozali, 2021).

3. Result And Discussion

Results of Useful Linear Regression Analysis

Table 2. Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	-21,882	4.874		-4.490	.000		
	ROA	.187	.066	.173	2,827	.005	.905	1.105
	CR	.777	.164	.364	4.727	.000	.572	1,748
	DER	-.347	.120	-.212	-2.887	.004	.629	1,590
	Firm Size	6,839	1,428	.294	4.787	.000	.902	1.108

Multiple linear regression analysis in this study is used to determine how much influence the independent variables have on the dependent variables (Ghozali, 2021: 145). This study uses multiple linear regression analysis to determine the effect of profitability, liquidity, leverage, and firm size on stock returns listed on the Indonesia Stock Exchange for the period 2020-3033.

Based on the results of the multiple linear regression test presented, the multiple linear regression equation can be made as follows.

$Y = \alpha + b\_1\ X\_1 + b\_2\ X\_(2\ ) +$ 〖 b〗 _3 X_3 + b_4 X_4

$Y = (-21,882) + 0,187X\_1 + 0,777X\_2 – 0,347X\_3 + 6,839X\_4$

Information:

Y : Stock Return

α : Constant

b_(1……) b_4: Regression Coefficient

X_1 : Profitability

X_2: Liquidity

X_3 :Leverage
X_4 : Firm Size
The regression equation above can be interpreted as follows:

- The regression coefficient for the profitability variable, proxied by Return on Assets (ROA) (X_1), is positive at 0.187, indicating a direct relationship. This means that if profitability increases by one percent, the stock return variable will increase by 0.187 percent, assuming all other independent variables remain constant.
- The regression coefficient for the liquidity variable, proxied by the Current Ratio (CR) (X_2), is positive at 0.777, indicating a direct relationship. This implies that a one percent increase in liquidity will lead to a 0.777 percent increase in stock returns, assuming all other independent variables are held constant.
- The regression coefficient for the leverage variable, proxied by the Debt-to-Equity Ratio (DER) (X_3), is negative at -0.347, indicating an inverse relationship. This suggests that a one percent increase in leverage will result in a 0.347 percent decrease in stock returns, under the assumption that other independent variables remain unchanged.
- The regression coefficient for the firm size variable, proxied by total assets (X_4), is positive at 6.839, indicating a direct relationship. This means that a one percent increase in firm size will lead to a 6.839 percent increase in stock returns, assuming the other independent variables are held constant.

Classical Assumption Test

Normality Test

Table 3. Normality Test Results

		Unstandardized Residual
N		260
Normal Parametersa,b	Mean	-.1461538
	Std. Deviation	.99606117
Most Extreme Differences	Absolute	.052
	Positive	.052
	Negative	-.047
Test Statistics		.052
Asymp. Sig. (2-tailed)		.092c

Source: Processed secondary data, 2025

The results of the normality test in Table 3 show that the valueKolmogorov-Smirnov Testof 0.052 and the valueAsymp. Sig. (2-tailed)of 0.092 > 0.05 (significant level) means that the model created has a normal distribution.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.365a	.133	.120	1.265080582	1,829
a. Predictors: (Constant), ROA, CR, DER, Firm Size					
b. Dependent Variable: Stock Returns					

Source: Processed Secondary Data, 2025

The results of the autocorrelation test in Table 4 show a Durbin-Watson value of 1.829. This study uses 260 research data and the number of independent variables is 4 variables. Based on the number of samples and independent variables, dU = 1.82010 is obtained through the Durbin-Watson Table, so that the model is obtained dU < dW < (4-dU) = 1.82010 < 1.829 < (4-1.8210) or 1.8210 < 1.829 < 2.1799. Based on this modeling, it shows that the regression model in this study is free from autocorrelation symptoms.

Multicollinearity Test

Table 5. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROA	.905	1.105
	CR	.572	1,748
	DER	.629	1,590
	Firm Size	.902	1.108

Source: Processed Secondary Data, 2025 (Appendix 3)

The results of the multicollinearity test in Table 5, obtained a value oftoleranceROA variable 0.905 or 90.5 percent, CR variable 0.572 or 57.2 percent, DER variable 0.629 or 62.9 percent, and firm size 0.902. VIF value of ROA variable 1.105, CR variable 1.748, DER variable 1.590 and, firm size variable 1.108. The results indicate that the tolerance value of the four variables is less than 10 percent or 0.10 and the VIF value of the four variables is less than 10, then it can be stated that no symptoms of multicollinearity were found in the regression model.

Heteroscedasticity Test

Table 6. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,643	3,031		1.202	.231
	ROA	-.039	.041	-.062	-.955	.341
	CR	-.036	.102	-.029	-.354	.723
	DER	-.113	.075	-.119	-1,519	.130
	Firm Size	-.746	.888	-.055	-.839	.402

Source: Processed Secondary Data, 2025

The results of the heteroscedasticity test in Table 6, obtained a value ofSig. (tailed-2)ROA, CR, DER, and Firm Size each show 0.341; 0.723; 0.130 and 0.402. The regression equation in this study does not experience heteroscedasticity because the valueSig. (2-tailed)each variable is greater than 0.05. Based on the modeling, it shows that the regression model in this study is free from heteroscedasticity symptoms.

Coefficient of Determination Test ()R^2

Table 7. Results of the Determination Coefficient Test ()R^2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.365a	.133	.120	1.265080582	1,829

Source: Processed Secondary Data, 2025

The results of the determination coefficient test in Table 7 show that the R. Square value is 0.133, which means 13.3 percent of the variation.returnshares as a dependent variable can be explained by the variation of its independent variables which are proxied by ROA, CR, DER, and total assets. The remaining 86.7 percent is explained by other variables that influencereturnstocks outside the regression model used such as profitability, liquidity,leverageand firm size.

Model Feasibility Test (F Test)

Table 8. Model Feasibility Results (F Test)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	62,812	4	15,703	9,812	.000b
	Residual	408.109	255	1,600		
	Total	470,921	259			

Source: Processed Secondary Data, 2025

The results of the model feasibility test in Table 7 above can be seen that the F test value is 9.812 and the Sig. F value is 0.000. The Sig. value of 0.000 is smaller than the significance value of 5 percent or 0.05 so that the regression model of this study is declared feasible and can be used to test the effect of independent variables on dependent variables.

Hypothesis Test (t-Test)

Table 9. Hypothesis Test Results (t-Test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Hypothesis
		B	Std. Error	Beta			
1	(Constant)	-21,882	4.874		-4.490	.000	
	ROA	.187	.066	.173	2,827	.005	H1 accepted
	CR	.777	.164	.364	4.727	.000	H2 accepted
	DER	-.347	.120	-.212	-2.887	.004	H3 accepted
	Firm Size	6,839	1,428	.294	4.787	.000	H4 accepted

Source: Processed Secondary Data, 2025

Hypothesis Testing 1 (H_1: Profitability has a positive effect on stock return)

Based on the t-test results, the significance value (p-value) of the profitability variable (ROA) is 0.005, which is lower than the significance level α (Sig. = 0.005 < 0.05), with a regression coefficient of 0.173. These results indicate that H_1 is accepted while H_0 is rejected. This implies that profitability has a positive and significant effect on stock return in manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2023 period.

Hypothesis Testing 2 (H_2: Liquidity has a positive effect on stock return)

Based on the t-test results, the significance value (p-value) of the liquidity variable (CR) is 0.000, which is lower than the significance level α (Sig. = 0.000 < 0.05), with a regression coefficient of 0.364. These results indicate that H_2 is accepted while H_0 is rejected. This implies that liquidity has a positive and significant effect on stock return in manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2023 period.

Hypothesis Testing 3 (H_3: Leverage has a significant negative effect on stock return)

Based on the t-test results, the significance value (p-value) of the leverage variable (DER) is 0.004, which is lower than the significance level α (Sig. = 0.004 < 0.05), with a regression coefficient of -0.212. These results indicate that H_3 is accepted while H_0 is rejected. This implies that leverage has a negative and significant effect on stock return in manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2023 period.

Hypothesis Testing 4 (H_4: Firm size has a positive effect on stock return)

Based on the t-test results, the significance value (p-value) of the firm size variable, proxied by total assets, is 0.000, which is lower than the significance level α (Sig. = 0.000 < 0.05), with a regression coefficient of 0.294. These results indicate that H_4 is accepted while H_0 is rejected. This implies that firm size has a positive and significant effect on stock return in manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2023 period.

Discussion of Research Results

Based on the results of testing the first hypothesis in this study, it states thatProfitability has a significant positive influence on stock returns, which means that this positive value indicates a unidirectional relationship between the profitability variable and stock returns.Profitability in this study is measured by Return on Asset (ROA). ROA shows how much net profit is generated relative to the capital invested in the firm's assets. ROA reflects the effectiveness of capital expenditure in generating profits from owned assets so that ROA provides a comprehensive picture of the firm's overall operational performance.(Sumarauw et al., 2025).The results of this study indicate that increased profitability reflects the firm's good financial condition. High profitability generally attracts investors, thereby increasing demand for the stock and ultimately driving an increase in stock returns (Angelia & Santioso, 2023).

This result is also supported by the signal theory which states that, with the high profitability of a firm, it gives a positive signal to investors, who respond by buying shares, thereby increasing the demand for shares and causing the share price to also increase (Dewi and Adiwibowo, 2019). A high level of profitability strengthens the firm's prospects, attracts investor interest, and increases the demand for the firm's shares, which in turn can lead to an increase in share prices and share returns.

The results of this study are in line with research conducted by Aprilia et al., (2023), Dewi & Sudiartha, (2019), and Nofitasari & Adi, (2021) showing that profitability affects stock returns. Research according to Alvianita & Rivandi, (2023), Yolanda et al., (2025), and Dewi et al., (2025) also shows that profitability has a positive effect on stock returns. Research by Novitasari and Bagana (2023), and Chandra and Darmayanti (2022) also states that profitability has a significant positive effect on stock returns.

The Effect of Liquidity on Stock Returns

Based on the results of testing the second hypothesis in this study, it states that lliquidity has a significant positive influence on stock returns, which means that this positive value indicates that there is a unidirectional relationship between the liquidity variable and stock returns.Liquidity in this study is proxied by the Current Ratio (CR).

This result is also supported by the signal theory which states that an increase in CR value indicates the firm's ability to meet short-term obligations, thus providing a positive signal to management to attract investor interest. High CR reflects the firm's good reputation and has the potential to increase stock demand and drive up stock prices. This increase in stock prices has an effect on increasing stock returns. High stock returns can be achieved if the firm is able to meet its short-term obligations well (Cholisna, SL, 2019).

The results of this study are in line with research conducted byYolanda et al., (2025),Nofitasari & Adi, (2021), And(Martha & Asari, 2021)shows that liquidity has a positive effect on stock returns. Research byFakhrurrozi et al., (2021)also stated that liquidity has a positive effect on stock returns.

The Effect of Leverage on Stock Returns

Based on the results of testing the third hypothesis in this study, it states thatleveragehas a significant negative influence on stock returns, which means that this negative value indicates an inverse relationship between the leverage variable and stock returns.Leveragein this study it is proxied by the Debt to Equity Ratio (DER) explainingthat SThe higher the DER value of a firm, the greater the risk the firm must bear. DER illustrates the increasing proportion of total debt compared to total equity, which indicates the increasing burden and dependence of the firm on external funding sources. The high proportion of debt in the firm's capital structure can also reduce the net profit obtained by shareholders (Veronika & Bagana, 2023).

This result is also supported by the signal theory which states that high leverage indicates that the firm has a large debt burden, both principal and interest on loans, which can add pressure to the firm so that it can provide a negative signal to investors, which in turn can cause the firm's performance to deteriorate and reduce the level of stock returns obtained. This negative impact is often reflected in a decline in the firm's stock price.(Aprillia & Amanah, 2023).

The results of this study are in line with research conducted by Dewi & Sudiartha, (2019), Dewi et al., (2025), Nurdyastuti et al., (2024), Mirayani & Kepramareni, (2024) showing that leverage has a negative effect on stock returns. Research by(Fakhrurrozi et al., 2021)also stated that leverage has no effect on stock returns.

The Effect of Firm Size on Stock Returns

Based on the results of testing the fourth hypothesis in this study, it states that firm size has a significant positive influence on stock returns, which means that this positive value indicates a unidirectional relationship between the firm size variable and stock returns.Firm size in this study is measured by total assets. (Yuliarti and Diyani, 2018) stated that companies with large total assets, size, and growth rates tend to earn higher profits, thus attracting investor interest. Companies with large total assets have stability, good cash flow, and

opportunities for long-term business continuity. Firm size increases stock returns, because large companies generally generate higher stock returns.

The results of this study are also supported by the signal theory which states that companies with larger sizes tend to give positive signals to the market because they are considered more established and have greater opportunities in the capital market so that they can encourage an increase in stock prices and higher stock returns, and can increase investor confidence to invest. Larger companies are also able to generate greater profits than smaller companies, which also contributes to the high returns obtained.(Aprillia & Amanah, 2023).

The results of this study are in line with research conducted by (Dewi & Sudiartha, 2019), Dewi et al., (2025), Amareta, (2021), Cholisna, (2019) which shows a positive effect of firm size on stock returns. Research conducted byThe Last Supper (2020)also found that firm size has a positive influence on stock returns.

Conclusion

Based on the tests conducted and the results of the analysis presented, the following conclusions can be drawn:

1. Profitability has a significant positive effect on stock returns in manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2023 period. This finding is supported by signaling theory, which states that high profitability serves as a positive signal to investors. In response, investors tend to purchase shares, thereby increasing stock demand and ultimately driving up stock prices. A high level of profitability strengthens the firm's outlook, attracts investor interest, increases demand for the firm's shares, and consequently leads to an increase in stock prices and returns.
2. Liquidity has a significant positive effect on stock returns in manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2023 period. This result is also aligned with signaling theory, which posits that an increase in the current ratio (CR) indicates a firm's ability to meet its short-term obligations. This sends a positive signal to management and investors. A high CR reflects a good corporate reputation, which can increase stock demand and drive up stock prices. This rise in stock prices, in turn, contributes to higher stock returns. High stock returns can be achieved when companies are able to effectively meet their short-term liabilities.
3. Leverage has a significant negative effect on stock returns in manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2023 period. This finding is supported by signaling theory, which suggests that high leverage indicates a substantial debt burden—both in terms of principal and interest payments—that can exert financial pressure on the firm. This sends a negative signal to investors, potentially leading to deteriorating firm performance and a reduction in the level of stock returns.
4. Firm size has a significant positive effect on stock returns in manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2023 period. Companies with larger total assets, size, and growth rates tend to generate higher profits, which attract investor interest. Firms with substantial total assets tend to exhibit greater stability, stronger cash flows, and higher long-term sustainability. Firm size contributes to higher stock returns because larger firms generally produce higher returns. This finding is also supported by signaling theory, which asserts that larger firms are perceived as more established and have greater market opportunities, thereby sending positive signals to the market. These signals can drive up stock prices and stock returns, ultimately increasing investor confidence to invest in the firm.

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