

The Effect of Liquidity and Leverage to Return Shares with Profitability as an Intervening Variable in LQ45 Companies Listed on The Indonesia Stock Exchange (IDX) for the Period 2020 - 2024

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Abstrak

This study aims to analyze the effect of Liquidity and Leverage on Stock Returns with Profitability as an intervening variable. The objects of the study were LQ45 Index companies listed on the Indonesia Stock Exchange (IDX) during the 2020- 2024 period. The method used was a quantitative approach with panel data regression analysis. The variables used included Liquidity (proxied by the Current Ratio) and Leverage (proxied by the Debt to Equity Ratio) as independent variables, Profitability (proxied by Return on Assets) as a mediating variable, and Stock Returns as the dependent variable. The results showed that Liquidity and Leverage had no significant effect on Stock Returns, while Profitability had a significant direct effect on Stock Returns. Furthermore, Liquidity had no significant effect on Profitability, but Leverage had a significant direct effect on Profitability. The mediation test using the Sobel test showed that Profitability did not significantly mediate the relationship between Liquidity and Stock Returns or between Leverage and Stock Returns. Management must prioritize strategies that can increase net profit and asset utilization efficiency. Increased profits will be directly reflected in share prices, benefiting investors and increasing stock returns.

Keywords: Liquidity, Leverage, Profitability, Stock Return, Return on Assets, Current Ratio, Debt to Equity Ratio

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INTRODUCTION

The capital market is one of the vital elements in the modern financial system that functions as a link between entities that need funds (companies) with parties that have excess funds (investors) as a forum or means of trading long-term financial instruments, both in the form of debt (such as bonds and sukuk) and equity (shares), issued by companies and governments to meet capital needs and support economic activities (Lin et al., 2025).

One of the capital market instruments frequently used by companies is stocks. Many companies raise funds by offering their shares on the stock market, where investors choose which stocks are suitable for short-term and long-term investment. Investors invest by placing a certain amount of money or other resources in the stock market, hoping to gain future profits. This concept extends beyond individuals to companies and governments seeking to maximize the potential of their assets, as investment is a key pillar of effective financial planning (Urusov, 2025).

Investing is an effective way to build wealth and achieve long-term financial goals. Profits from investment activities don't just come easily; they require in-depth analysis and careful calculation, with the principle of prudence being a crucial foundation. An important aspect of investing in the stock market is understanding risk, as every investment carries risk, and the stock market is known for its volatility (Adam et al., 2025).

Stock transactions have a significant impact on the Stock Price Index (SPI), which reflects the overall movement of stock prices in the market. When stock transactions occur, whether large or small, this can affect the price of certain stocks, especially those with large market capitalizations, such as those listed in the LQ45 index (Nguyen & Dang, 2025).

The phenomenon of stock transaction volatility has been evident over the past five years, particularly in 2020, when it declined due to the global COVID-19 pandemic. During the COVID-19 pandemic, the Indonesian stock market experienced a decline due to reduced public investment, making investment risk crucial, and making relevant information increasingly necessary for decision-making (Zhang, Sun, et al., 2025).

In addition, the LQ45 Index is also one of the most preferred stock indexes by investors because it has large liquidity and capitalization, as well as good company fundamentals, so it is considered capable of generating the profits expected by investors. However, the LQ45 Index's profits cannot be guaranteed to always be high. Although companies in the LQ45 Index are generally considered blue chip companies with strong fundamentals, quite a few stocks in this index experience volatility. Return very high, especially during times of economic crisis or market uncertainty. For example, during the COVID-19 pandemic in 2020, several LQ45 companies experienced fluctuations (Tu et al., 2025).

High returns are one of the goals of investing, but in reality, it often shows that achieving this is not always easy, stock market conditions are very dynamic and influenced by many variables, so that return what is expected does not always materialize. The occurrence of high volatility indicates that return Shares in LQ45 index companies are not always stable and can be greatly influenced by external factors such as changes in government policy, global uncertainty, to rapid changes in investor sentiment (Q. Zhu et al., 2025).

This poses a risk to investors, especially those investing in the short term, as the value of investments can drop drastically in a short time, even if the company has sound fundamentals. High volatility isn't always stable and is influenced by external factors such as changes in government policy and so on. Fluctuation return Significant stock fluctuations

have occurred in companies listed on the LQ45 in the last five years, reflecting the dynamics of financial performance and investor confidence, thus causing anxiety and threatening the stability of investment portfolios (Zhang, Wu, et al., 2025).

Fundamental analysis is an analysis based on a company's economic fundamentals as outlined in its financial statements. This method focuses on financial ratios and events that directly or indirectly impact financial performance. This study utilizes company financial data as one of the indicators (Fujitani et al., 2025).

One parameter that can be used to predict return Stocks. It is hoped that with improvements in a company's financial performance, stock prices will rise and provide high returns to investors, thus positively impacting a company's growth and attracting investor interest (Astri Fitria, 2020). In analyzing financial performance, this study used several ratios, including the liquidity ratio, which is measured using Current Ratio (CR), ratio leverage measured using Debt to Equity Ratio (DER), and profitability ratios are measured using Return on Assets (ROA) as the intervening variable (Mi & Masih, 2025).

Liquidity ratios indicate a company's capacity to pay short-term debt using current assets. Liquidity ratios are the ratio of total current assets to total current liabilities. A commonly used measure of liquidity is current ratio, quick ratio and cash ratio. In this study, we used current ratio As a measure of liquidity, the current ratio measures a company's ability to pay short term liabilities or debts that are due immediately upon collection. In other words, it measures the extent of current assets available to meet current liabilities that must be paid immediately. Investors can assess a company's assets through this ratio. The higher the current ratio, the higher the current assets. current ratio, then the company is deemed capable of meeting its short-term obligations, thus attracting investors to purchase the company's shares. Investor interest in purchasing shares will drive up share prices and, consequently, return shares will also increase (D. Li et al., 2025).

Ratio leverage is a ratio used by companies to measure their ability to meet their financial obligations in the long term. The relationship between the ratio leverage and return Stocks are a crucial issue in investment analysis, because they reflect the dilemma between the potential for greater profits and risk. which increases because every company needs funds to finance operations and growth with the main funding sources coming from equity (own capital) and debt (loans from third parties) as measured using debt to equity ratio (DER) to measure the proportion of debt to equity or total assets. A company's decision to determine the mix of debt and equity is known as its capital structure (Jiao et al., 2025).

In this case, it relates to LQ45 index companies listed on the Indonesia Stock Exchange, return Stocks are an important indicator that measures investment performance, not just numbers, but rather a reflection of the complexity of the relationship between internal performance, including liquidity levels and profitability levels. leverage However, to gain a comprehensive understanding, it is important to consider the role of profitability as an intervening variable that can mediate the relationship between these factors on return Stocks. Profitability indicates a company's ability to generate profits, which ultimately influences investor perceptions, where the company demonstrates consistent and increasing profitability, as measured by the ratio. Return on Asset Investors interpret this as a sign of

strong financial health. This positive perception creates optimistic market sentiment, which encourages investors to buy the company's shares. Increased demand for shares will drive up their prices, ultimately increasing profitability. Return company shares. This study aims to explore the influence of liquidity and leverage to return stocks with profitability as an intervening variable, in LQ45 index companies listed on the Indonesia Stock Exchange (Gao et al., 2025).

State of the art

Previous research results show inconsistency of the relationship between liquidity (CR) and leverage (DER) on stock returns for example, research Russell & Zulfa (2023) And Veronika & Batara (2023) Some studies found different directions and significance, with leverage having a significant negative effect on one side, while others found it insignificant or even positive. Similarly, the liquidity variable showed varying results, ranging from a significant positive effect (Ermita Cindy, 2021) to an insignificant effect (Dwi Lestari et al., 2022). This inconsistent result opens up further research to reexamine this relationship in a different context. LQ45 companies for the 2020–2024 period, especially in the phase post-pandemic economic recovery, which has not been studied specifically.

Most previous studies only analyze the direct influence between liquidity, leverage, and stock returns, without considering profitability mediation mechanism (ROA). Only a few studies have involved this variable as a mediator or moderator, such as Uniep (2025) which examines the banking sector, but the results are still limited and not generalizable to other sectors. Therefore, this study fills this gap by using profitability as a mediating variable to explain how the influence of liquidity and leverage indirectly affects stock returns in a company LQ45. This approach is expected to provide deeper theoretical understanding regarding the role of internal financial performance in determining market response to company shares.

Based on the phenomena and research gaps that have been explained, the formulation of the problem in this research is: 1) Is there a direct influence of Liquidity on *Return Shares* in LQ45 companies listed on the IDX? 2) Is there a direct influence *Leverage* to *Return Shares* in LQ45 companies listed on the IDX? 3) Is there a direct influence of Profitability on *Return Shares* in LQ45 companies listed on the IDX? 4) Is there a direct influence of Liquidity on Profitability in LQ45 companies listed on the IDX? 5) is there a direct influence *Leverage* on Profitability in LQ45 companies listed on the IDX? 6) Is there an indirect effect of Liquidity on *Return Stocks* through Profitability in LQ45 companies listed on the IDX? 7) Is there an indirect influence *Leverage* to *Return Stocks* through Profitability in LQ45 companies listed on the IDX?

Novelty

The novelty of this research lies in the empirical analysis that highlights the mediating role of profitability in the relationship between liquidity and leverage on stock returns in LQ45 companies on the Indonesia Stock Exchange during the 2020–2024 period, a post-pandemic period reflecting the dynamics of economic recovery. Unlike previous studies that only examined the direct effect of financial ratios on stock returns, this study examines

the indirect mechanism through profitability using panel data regression analysis and the Sobel test. These findings provide new evidence that profitability efficiency is a key factor in creating shareholder value, while strengthening the link between financial management theory and capital market behavior.

THEORETICAL REVIEW

The Effect of Liquidity (X1) on *Return Saham* (Z)

Liquidity plays a fundamental role in influencing *return* Stocks are related to the ease of trading an asset without triggering significant price changes. High liquidity allows stocks to be traded quickly, thus supporting efficient price formation in the capital market (Budhathoki et al., 2024). This demonstrates that liquidity functions not only as an operational indicator but also as a strategic factor determining investor perceptions of a stock's value.

Companies with high liquidity typically have greater resilience to market fluctuations, ultimately increasing investor confidence. Liquid stocks are perceived as low-risk instruments because they can be resold without causing significant price declines. This low risk perception encourages increased *return* stocks, because investors are willing to pay a premium for the flexibility that stocks with high liquidity have (Aspris & Svec, 2025).

Empirical research shows a positive correlation between liquidity and *return* stocks. Indicators such as trading volume and *bid-ask spread* has been shown to be directly related to stock returns on the Indonesia Stock Exchange (Budhathoki et al., 2024). Stocks with high trading volume and narrow spreads generally produce *return* bigger because it reflects high investor interest and more optimal market efficiency (Cantore, 2025).

Liquidity also influences stock price volatility. High liquidity tends to reduce price volatility, making stocks more attractive to risk-averse investors. This price stability is economically important because it increases predictability. *Return*, providing a measurable investment environment, and encouraging greater market participation (Kedar-levy et al., 2025).

Liquidity has been shown to be a major determinant in influencing *return* Stocks, whether through risk perception, price stability, or the company's capacity to capitalize on investment opportunities. Effective liquidity management plays a role not only as a financial obligation but also as a strategy to increase market valuation and strengthen a company's competitive advantage in the capital market (Frag et al., 2025).

H: It is suspected that there is a significant direct influence of Liquidity on *Return* Shares in LQ45 companies listed on the IDX

Influence *Leverage* (X2) Against *Return Saham* (Z)

Leverage is the use of debt in financing company assets which has significant implications for return shares. Utilization leverage can appropriately increase investment capacity in projects with a higher rate of return than the cost of debt, thus potentially

increasing earnings per share (*earnings per share* or EPS) and stock prices. However, the relationship between leverage And *return* Stocks are complex because they are influenced by industry conditions, financial management practices, and economic stability (Jin et al., 2025).

Previous research shows that leverage A positive impact on stock prices when borrowed funds are allocated to finance growth opportunities that increase a company's revenue and profits.. Investors view the productive use of debt as a strategy that increases a company's value while strengthening its prospects. *return* shares. On the other hand, the level of leverage High levels of debt have the potential to increase financial risk, especially in unstable economic conditions, because companies may face difficulties in fulfilling obligations which will impact on declining stock performance (Doshchyn, 2025).

Influence *leverage* to *return* Stocks are more significant in sectors with high growth potential, such as technology and industry, where debt is used to accelerate expansion while improving financial performance. However, the multiplier effect of leverage not always giving Profits due to excessive debt actually increase the risk of declining stock performance during an economic slowdown. Therefore, management leverage Careful consideration is needed to maintain a balance between risk and return (Goyal et al., 2025).

In practice, *leverage* can be an instrument that encourages improvement shares, especially in capital-intensive industries, but excess debt actually leads to financial *distress* which depresses stock prices. Investors assess the level of leverage as a key indicator in evaluating a company's prospects, so effective debt management generally results in more stable and profitable stock performance. Therefore, success leverage in improving return Shares are determined by management's ability to maintain a balanced capital structure and be oriented towards sustainability (Barros & Gonçalves, 2025).

H2: It is suspected that there is a significant direct influence *Leverage* to *Return* Shares in LQ45 companies listed on the IDX

Influence Profitability(Y) Against Return Saham (Z)

Profitability is a fundamental indicator that reflects a company's ability to generate profits through the utilization of its assets and equity (Rahman, 2023). Profitability ratios such as *Return on Assets* (ROA) and *Return on Equity* (ROE) is used to assess the effectiveness of resource management, where a high value indicates the company's potential to provide return This is a positive outcome for shareholders. Strong profitability is generally associated with stable financial performance, thus increasing investor confidence in the company's stock value (B. Zhu et al., 2025).

Empirical evidence supports a positive relationship between profitability and return Stocks. A study of banking companies included in the LQ45 index showed that ROA significantly influences company value, confirming the role of profitability as a determinant of stock price movements. Similar results were found by Hanif et al. (2023), who identified that working capital efficiency and sales growth contribute to increased profitability, which in turn drives increases. *return* This condition confirms that profitability not only reflects

internal operational performance but also serves as a transmission mechanism for stock market value (Chen et al., 2025).

Profitability also acts as a market signal that influences investment decisions. Companies with high profitability are more attractive to investors because they are associated with the ability to generate sustainable cash flow. This positive signal increases demand for the company's shares, which in turn increases market prices. Thus, profitability serves a dual function: as a measure of financial performance and as a strategic communication tool between companies and investors (Y. Li et al., 2025).

Although the relationship between profitability and return While the effect on stock returns is positive, this influence can be influenced by external factors. During an economic crisis, companies with high profitability can still experience share price declines due to weakening demand and market uncertainty. This suggests that profitability needs to be understood by considering macroeconomic dynamics (Garcia, 2025).

In addition, dividend policy and capital structure also moderate the relationship between profitability and return Shares. proper profit allocation, whether through dividend payments or reinvestment in productive projects, improves investors' perceptions of a company's long-term prospects. This condition strengthens the link between profitability and stock price movements in the capital market (Lin et al., 2025).

Conceptually, profitability represents a company's capacity to create sustainable economic value for shareholders. Efforts to improve operational efficiency, optimize cost structures, and make appropriate investment decisions are strategies that can strengthen profitability while driving growth. *return* stock. Profitability is thus not only an internal indicator company performance, but also a major factor in evaluating stock market value (Urusov, 2025).

H3: It is suspected that there is a significant direct influence on profitability. *Return* Shares in LQ45 companies listed on the IDX

The Effect of Liquidity (X1) on Profitability

Liquidity is defined as the company's ability to meet short-term obligations by utilizing its current assets, which is generally measured through ratios such as current *ratio*, *quick ratio*, as well as *loan to deposit ratio*. Adequate liquidity not only serves to maintain short-term financial stability but also has strategic implications for profitability by providing flexibility in investment decision-making and maintaining operational continuity Empirical evidence shows a positive relationship between liquidity and profitability. *Financial Debit Ratio* The Liquidity to Total Assets (FDR) ratio and the Liquid Assets to Total Assets (LTA) ratio significantly influence the profitability of Islamic banks in Indonesia, indicating that strong liquidity supports profit generation. increased liquidity reduces financial risk while increasing growth capacity, particularly in the food and beverage sector, which is highly dependent on operational continuity (Adam et al., 2025).

Loan to Deposit Ratio (LDR) has a positive effect on *Return on Assets* (ROA), which confirms that banks with optimal liquidity levels are able to utilize their assets more

productively to generate profits. A similar sentiment was expressed by Anisa and Febyansyah (2024), who stated proves that there is a significant influence of liquidity on profitability, although other factors such as company size and sales growth also contribute (Nguyen & Dang, 2025).

In the context of non-financial companies, liquidity plays a role as a determinant of profitability through efficient cost management and increased productivity. the textile and garment industry also found that liquidity, as measured by current *ratio* And *total asset turnover* positively related to the ability to generate profits, which also provides a positive signal to investors regarding the effectiveness of management in managing resources (Zhang, Sun, et al., 2025).

However, excessively high liquidity levels can indicate inefficient asset utilization, as funds that should be allocated for productive investments are instead held in current assets that don't generate added value. This situation emphasizes that while liquidity plays a crucial role in maintaining business continuity, balancing it with investment strategy is still necessary to ensure that profit growth opportunities are not overlooked (Tu et al., 2025).

Various studies have concluded that liquidity has a positive impact on profitability across various industrial sectors. Companies that effectively manage liquidity can not only meet short-term obligations but also increase their profit-generating capacity while maintaining competitiveness in a dynamic market environment (Q. Zhu et al., 2025).

H4: It is suspected that there is a significant direct influence of Liquidity on *Return Shares* in LQ45 companies listed on the IDX

Influence Leverage (X2) Against Profitability

Leverage is a strategy for utilizing debt in a company's capital structure that influences profitability through the cost of capital. which is relatively lower than equity. Efficiency of use leverage allows companies to increase investment capacity without having to bear the burden of issuing new equity, thus potentially increasing net profit (Zhang, Wu, et al., 2025).

A number of empirical studies support a positive association between leverage and profitability. that leverage has a significant effect on the profitability of manufacturing companies on the Indonesia Stock Exchange, indicating that optimal debt management can improve financial performance. *leverage* can increase profitability when borrowed funds are allocated to productive investments that generate higher returns than the cost of debt. The findings confirm that the effectiveness of leverage determined by the direction of utilization of funds (Fujitani et al., 2025).

efficiency in the use of debt is a primary requirement, because leverage can only increase profitability if the financial benefits obtained are greater than the interest burden. leverage acts as a driver of profit growth in the food and beverage sector by providing additional capital for expansion (Mi & Masih, 2025).

Although *leverage* While capital can increase profitability, excessive use has the potential to create financial risks, including liquidity problems and the threat of bankruptcy when cash

flow is insufficient to pay loan interest. Therefore, companies need to balance their capital structure to maximize the benefits. *leverage* can be achieved without causing financial instability. a balanced capital structure between debt and equity can optimize profitability while maintaining financial sustainability (D. Li et al., 2025).

With proper management, *leverage* provides opportunities for increased profitability when directed towards productive investments that generate added value. In the context of dynamic business competition, the company's ability to manage leverage effectively become the main determinant in strengthening financial performance and creating economic value for shareholders (Jiao et al., 2025).

H5 : It is suspected that there is a significant direct influence between *Leverage* on Profitability in LQ45 companies listed on the IDX

METHODOLOGY

Types of research

This research was conducted on LQ45 companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2024 period. It uses a quantitative approach because it aims to objectively measure the relationship between variables based on statistically analyzed numerical data. Associative research aims to understand the relationship between two or more variables, while causal associative research aims to test the cause-and-effect relationship between variables.

Population and sample

The population in this study was selected from 45 LQ45 index companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2024 period. Based on the sample classification results, the authors obtained 27 companies as research samples with a five-year research period. Thus, a total of 135 data sets were analyzed.

Data collection techniques

This research is a quantitative research which utilizing secondary data in the form of financial reports of LQ45 index companies listed on the Indonesia Stock Exchange (IDX) for the years 2020-2024. Secondary data refers to readily available information, such as financial reports published by LQ45 companies listed on the Indonesia Stock Exchange (IDX). The data collection method employed in this study generally involved direct access to the publicly published financial reports of these companies on the IDX's official website at <https://idx.org/> [./www.idx.co.id](https://www.idx.co.id) (IDXbroker, 2025) and <https://www.idnfinancials.com/> (Financial, 2024). (IDX, 2025)

Data analysis techniques

In this study, the data analysis technique used is panel data regression analysis with the help of software. *Eviews* version 12. This technique was chosen because it is able to test the influence of independent variables on dependent variables simultaneously in a certain time period, and can accommodate time series data and cross *section* simultaneously. In this study, profitability acts as an intervening variable between liquidity and leverage on stock

returns, so that panel data analysis allows researchers to test the direct and indirect influences between the variables studied more accurately.

RESULT AND DISCUSSION

The hypothesis in this study was tested using panel data regression analysis with the help of software. *Eviews 12*. Based on the conceptual model and the relationships between variables that have been explained, the hypothesis formulation in this study is compiled and presented in the following table 1:

Table 1 Hypothesis test

No.	Hypotesis	Koefesien Jalur	Nilai t - statistik	Nilai sig (p-value)	Kesimpulan
1.	Hypotesis I (H1)	-110309,3	-1,130185	0,2611	Ho accepted (not significant)
2.	Hypotesis 2 (H2)	-2226,325	-0,049667	0,9605	Ho accepted (not significant)
3.	Hypotesis 3 (H3)	3,338754	4,219298	0,0001	Ho rejected (Significant)
4.	Hypotesis 4 (H4)	1758,233	0,295782	0,7679	Ho accepted (not significant)
5.	Hypotesis 5 (H5)	-7906,047	-2,673564	0,0085	Ho rejected (Significant)
6.	Hypotesis 6 (H6)	1758,233	0,295782	0,01	Ho accepted (not significant)
7.	Hypotesis 7 (H)	-7906,047	-2,673564	-0,02	Ho accepted (not significant)

Sources: hypothesis test 2025

Based on table 1, the results of the hypothesis analysis are as follows: H1: The significance value is greater than $\alpha = 0.05$, so H_0 is accepted. This means that liquidity does not have a significant effect on *return* shares in LQ45 companies listed on the Indonesia Stock Exchange. H2: The significance value is greater than $\alpha = 0.05$, so H_0 is accepted. It means, *leverage* does not have a significant effect on *return* shares in LQ45 companies listed on the Indonesia Stock Exchange. H3: The significance value is less than $\alpha = 0.05$, so H_0 is rejected. This means that profitability has a significant influence on *return* shares in LQ45 companies listed on the Indonesia Stock Exchange. H4: The significance value is greater than $\alpha = 0.05$, so H_0 is accepted. This means that liquidity does not have a significant effect on profitability in

LQ45 companies listed on the Indonesia Stock Exchange. H5: The significance value is less than $\alpha = 0.05$, so H_0 is rejected. It means, *leverage* has a significant effect on profitability in LQ45 companies listed on the Indonesia Stock Exchange. H6 : The significance value is smaller than $t_{tabel} 1.96$, so H_0 is accepted. This means that liquidity does not have a significant effect on *return* shares through profitability in LQ45 companies listed on the Indonesia Stock Exchange. H7 : The significance value is smaller than $t_{tabel} 1.96$, so H_0 is accepted. It means, *leverage* does not have a significant effect on *return* shares through profitability in LQ45 companies listed on the Indonesia Stock Exchange.

Discussion

Relationship between Liquidity and Profitability

The liquidity variable does not significantly influence profitability in LQ45 companies listed on the Indonesian Stock Exchange. This indicates that the magnitude of liquidity, as reflected in total assets, does not necessarily translate into an increase in the company's ability to generate profits, which in this case is measured by *Return On Assets* (ROA). This finding is inconsistent with previous research by (Amir, 2023), which explained that liquidity significantly influences profitability. These results indicate that effective liquidity management can increase profits while influencing a company's capital structure. Furthermore, previous research by (Sahalani et al., 2024) also explained that liquidity also significantly influences profitability. This is because liquidity is a key factor influencing profitability, with larger companies tending to have better resources, market share, and operational efficiency, thus improving their performance.

According to *signalling theory*, Liquidity should be a positive signal to investors regarding a company's ability to generate profits and financial stability. Larger companies are generally assumed to have better resources and capacity to achieve high profitability. However, the results of this study indicate that the relationship between liquidity and profitability is insignificant. This indicates that in the context of the companies studied, liquidity is not necessarily a signal. which is effective or has not been fully accepted by the market as an indicator of profitability.

Connection Leverage on Profitability

Influence of variables *leverage* significantly influence profitability in LQ45 companies listed on the Indonesian Stock Exchange. These results indicate that the level of *Debt to Equity Ratio* (DER) shows that the company's capital structure funded by debt has a clear and measurable impact on the company's ability to generate profits. Based on the significance *leverage* on profitability is relevant to the research hypothesis of signalling theory.

This is in line with previous research according to (Zubir et al., 2023) which explains that *Leverage* has a positive effect on profitability. The research explains that companies successfully use debt to increase their net profit. The debt is used to fund investments or operations that generate greater profits. This positive effect can signal that the company has good risk management and is trusted by creditors.

Relationship between Liquidity and Return Stocks

The influence of the liquidity variable does not have a significant influence on *return* shares. This may occur because investors tend not to consider the current ratio as a primary

consideration in making investment decisions. There is no significant influence between *Current Ratio* (CR) and stock returns indicate strong market confidence in the company's financial foundation. This confidence gives investors confidence in the company's ability to meet its short-term obligations without needing to directly compare current assets and liabilities. As a result, this ratio does not have a significant impact on stock returns.

This is not in line with the opinion according to (Veronika and Batara 2023) which explains that liquidity has a significant effect on *return* shares, that means *current ratio* (CR) indicates a healthy financial condition, thus attracting investor interest and increasing stock demand. This increased demand will drive up stock prices, ultimately increasing stock returns.

Based on these differences in results, it can be assumed that in the context of LQ45 companies, liquidity management has not been a major factor that directly influences *return* company shares. Therefore, it is important for companies to shift their focus from simply maintaining a high liquidity ratio to a strategy more oriented towards improving other financial ratios.

Connection *Leverage* to *Return* Stocks

Influence variable *leverage* on company LQ45 does not have a significant effect on *return* shares. These findings indicate that the level of *leverage* The LQ45 companies are not a primary factor investors consider when making investment decisions, so they don't directly impact stock prices. This finding seems contradictory to general financial theory, which states that high debt can increase risk and negatively impact stock prices. Companies included in the LQ45 index are generally considered large companies. stable, And trusted.

Investors may believe that these companies have strong debt management and are able to pay their obligations, regardless of the size of their debt. This result is not in line with previous research according to (Ye and Chen, 2024) and (Anita et al., 2023) which explains that *leverage* has a positive effect on *return* In stock markets, investors respond positively to the use of corporate debt, viewing it as a "lever" to increase profits and, ultimately, stock returns. However, a different opinion, according to (Sajidah Afifah, 2024), explains that *leverage* does not have a significant positive effect on stock prices, this condition reflects that approximately 80%-90% of the company's funds are used for loan disbursement, thus causing a decline in stock prices. This decline in stock prices can make investors hesitate to invest, as they assess the company's ability to manage its assets. *leverage* not optimal in providing long-term benefits.

Relationship between Profitability and *Return* Stocks

The significant influence of profitability on stock returns indicates that a company's profit performance is a key factor driving stock prices and providing returns to investors. Therefore, profitability is a key consideration for investors in decision-making, as it reflects a company's value and potential return on investment.

These results align with previous research (Zhofiroh and Arifin, 2023), which explains that profitability has a significant positive effect on stock prices, thus confirming that profitable companies are capable of generating higher returns. Furthermore, Irawan & Arif (2024) explain that profitability has a positive effect on stock prices. It reflects the ability

of capital invested in total assets to generate profits for all investors, thereby attracting investor confidence.

This is also in line with the signalling theory which states that profitability is the main signal for investors in assessing company performance and predicting future financial prospects.

Relationship between Liquidity and Return Stocks through Profitability

The influence of the liquidity variable does not have a significant influence on *return* shares through profitability. Based on the results of the Sobel test, the profitability variable is unable to mediate the effect of liquidity on *return* shares, with a significance value above 0.05. This finding indicates that information regarding the amount of liquidity does not directly affect *return* shares through profitability. In the perspective *signalling theory* High profitability is usually a positive signal for investors regarding a company's future prospects. However, in this study, liquidity did not produce a positive signal. Profitability Which Enough strong so that No able to influence investor perceptions of *return* shares. If liquidity is not accompanied by a significant increase in profitability, then the information is considered less valuable by investors and is not trigger the company's stock price indirectly.

This finding is inconsistent with previous research (Rizaldi & Ashari 2023), which explains that liquidity does not directly affect stock returns. Instead, liquidity must first increase profitability, and this increase in profitability then drives stock returns. Increasing liquidity is not the primary goal, but rather a tool to achieve better profitability. Without increased profitability, high liquidity (e.g., idle cash) will not have a positive impact. *return* stock.

Connection Leverage to Return Stocks through Profitability

The influence of profitability is not able to mediate the relationship between *leverage* And *return* shares in the company being studied. In other words, even though *leverage* and the profitability of each may have a relationship with *return* shares directly, but profitability does not act as an intervening variable that connects *leverage* with *return* shares significantly. This condition indicates that changes *leverage* does not indirectly affect *return* shares through profitability mechanisms.

This can be understood through the framework *signalling theory* which states that financial information provided by companies, such as profitability, can be a signal for investors in making investment decisions. However, in the context of this study, profitability does not function as an effective signal to explain the relationship between *leverage* And *return* shares. This means that even though *leverage* is an important indicator of a company's financial health, profitability does not significantly strengthen or explain the influence *leverage* regarding the *return* shares. This can happen because investors immediately respond *leverage* independently, or there are other factors outside of profitability that influence investor perceptions of *return* shares. Thus, in the context of *signalling* profitability does not provide an additional signal that mediates the relationship *leverage* to *return* shares in the company being studied.

Previous research according to (Sanusi et al., 2023) shows that profitability is measured using *Return On Assets* (ROA), can strengthen the influence *leverage* to *return*

shares. In this context, *leverage* often proxied by *Debt to Equity Ratio* (DER), which reflects the comparison between the company's total debt and total equity. In other words, profitability is not able to mediate the relationship between *leverage* which is measured by DER and *return* shares in the company being studied.

CONCLUSION

Based on the research results and discussions that have been put forward from research regarding the influence of Liquidity and *Leverage* to *Return* Stocks with Profitability as an intervening variable in the LQ45 index companies listed on the Indonesia Stock Exchange for the 2020-2024 period, the following conclusions can be drawn: 1) Liquidity does not have a significant effect on *Return* Shares in LQ45 companies listed on the Indonesia Stock Exchange for the 2020 - 2024 period. 2) *Leverage* does not have a significant effect on *Return* Shares in LQ45 companies listed on the Indonesia Stock Exchange for the 2020 - 2024 period. 3) Profitability has a significant effect on *Return* Shares in LQ45 companies listed on the Indonesia Stock Exchange for the 2020 - 2024 period. 4) Liquidity does not have a significant effect on profitability in LQ45 companies listed on the Indonesia Stock Exchange for the 2020-2024 period. 5) *Leverage* has a significant effect on profitability in LQ45 companies listed on the Indonesia Stock Exchange for the 2020-2024 period. 6) Liquidity does not have a significant effect on *Return* Stocks with Profitability as an intervening variable in LQ45 companies listed on the Indonesia Stock Exchange for the period 2020 - 2024. 7) *Leverage* does not have a significant effect on *Return* Stocks with Profitability as an intervening variable in LQ45 companies listed on the Indonesia Stock Exchange for the period 2020 - 2024.

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