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Analysis of the Effect of Financial Ratios and Dividend Policy on Stock Returns

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Abstract: This study aims to determine and analyze the effect of liquidity, solvency, activity, profitability and dividend policy on stock returns in companies that are members of the LQ-45 index on the Indonesia Stock Exchange in the 2016-2020 period. Sampling was carried out using a purposive sampling technique based on the criteria determined by the researcher, so the number of samples in this study were 94 companies. The data analysis technique used is multiple regression analysis, classical assumption test, and hypothesis testing using SPSS version 23. The research results provide empirical evidence that solvency has an effect on stock returns, while liquidity, activity, profitability, and dividend policy have no effect on stock returns.
Keywords: liquidity, solvency, activity, profitability, dividend policy, stock returns.

1. Introduction

The development of business in Indonesia is currently quite rapid, so speed and accuracy are needed in making decisions, especially in investing in a company. Companies need investment so that companies can carry out their business activities, therefore there are many companies that go public in the capital market seeking funds from investors. Every investment, be it short-term or long-term investment, has the same goal, namely to get a profit, which is commonly called a return, either directly or indirectly.

Investors need financial reports to analyze the company's financial condition which is useful for making decisions in investing in stocks and is also useful for knowing the return on investment (return). Financial statements are records of financial information from a company in an accounting period. A financial report is a report that describes the financial position of the results of an accounting process during a certain period which is used as a communication tool for interested parties (Suteja, 2018).

Statement of Financial Accounting Standards (PSAK) No. 1 (2020: 3) states that the purpose of financial reports is to provide information about the financial position, financial performance and cash flows of entities that are useful to the majority of report users in making economic decisions. Financial reports contain information that can be analyzed using financial ratios.

Financial ratios are a tool for analyzing a company's finances based on a comparison of the financial data contained in financial statement items. Kasmir, 2018 says that financial ratios are ratios used to see the financial condition and performance of a company by comparing the numbers in the financial statements. The financial ratios derived from these financial statements are called the company's fundamental factors. Of the several fundamental factors of the company, financial ratios are the focus of attention which is commonly used in predicting stock returns.

Hery, 2016: 149 says that the liquidity ratio is also known as a ratio that can be used to measure a company's capability to pay off its short-term obligations that are due. Liquidity is likely to affect stock prices each period, so that the dominant stock returns will increase or decrease. The liquidity ratio used in this study is the Current Ratio (CR), used to measure a company's liquidity capability in the short term or for 12 months. If the company's liquidity is higher, the company is considered capable of paying off its short-term obligations, so that it will attract investors to buy the company's shares, in the end the stock price will increase and stock returns will also increase. can be used to measure to what extent the level of capability

The solvency ratio is a ratio that functions to determine own capital that is used as collateral for debt. Kasmir, 2018: 151 says that the solvency ratio or leverage ratio is the ratio used to measure the extent to which a company's assets are financed with debt. This means how much debt the company bears compared to its assets. The solvency ratio used in this study is the Debt to Equity Ratio (DER). DER is a financial ratio that compares the amount of debt to the amount of equity. If the use of debt increases, which is reflected by a greater debt to equity ratio, the same earnings before interest and tax will result in a higher earnings per share. If earnings per share increase, it will have an impact on increasing stock prices or stock returns.

The activity ratio aims to assess the entity's ability to carry out day-to-day operational activities both in selling, collecting liabilities, and utilizing the assets owned by the entity. The activity ratio used in this study is

Total Assets Turnover (TATO), used to measure a company's ability to generate sales from total assets. The higher this ratio, the company is considered to be able to utilize its assets to generate cash and income, so that investors are interested in buying the company's shares. By increasing the purchase of this stock, the stock price will increase and the stock return will also increase.

Hery, 2018: 192 explains that the profitability ratio is a ratio that describes a company's ability to generate profits through all its capabilities and resources, which come from sales activities, use of assets, and use of capital. The activity ratio used in this study is return on equity (ROE), used to measure a company's ability to generate profits from the investment of the company's shareholders. The higher the ROE, the higher the profit generated by the company, thus attracting investors to buy company shares. The increase in the purchase of this company's shares, the share price also increases and stock returns also increase.

Dividend policy is the distribution of profits provided by the company and comes from profits generated by the company (Sulindawati et.al, 2017: 132). The purpose of the distribution of shares is to provide satisfaction to investors who have purchased company shares. The greater the dividend, the greater the wealth owned by the shareholder. The dividend policy is decided by the financial manager in order to give hope of increasing stock prices which also have an impact on increasing stock returns to the company.

*return*is the result obtained from an investment which can be in the form of a realized return that has occurred or an expected return that has not occurred but is expected to occur in the future. The overall return from an investment in a certain period is called the total return or also known as just return and consists of capital gains and yields (Jogiyanto, 2000).

This research is a development of research by Dewi et al.,(2020). The novelty of this research is reducing one variable, namely the price earning ratio variable. The second novelty, broadens the scope of observation of company clarification based on companies that are members of the LQ-45 index on the Indonesia Stock Exchange for the 2016-2020 period.

2. Literature Review and Hypothesis Development

2.1 Signal Theory (Signalling Theory)

Signal theory provides information and explanations about what agents have done to principals and report users. The information in question is the activities carried out by managers during a period that helps increase profits and identify risks that may arise from the company's business activities. If the company's financial performance is good, it can attract investors to invest funds in the company by buying shares of the company. This can increase stock prices and stock returns will also increase.

2.2 Agency Theory (Agency Theory)

Agency theory describes two conflicting actors, namely principals and agents. An agency relationship is a contract where one person or more people (principal) instruct another person (agent) to perform a service on behalf of the principal and authorize the agent to make the best decision for the principal (Ichsan, 2013).

2.3 Return Share

Return share is the difference between the selling price and the purchase price of shares that have been added to the dividend. Jogiyanto, 2010 states that return is the result obtained from an investment or the level of profit enjoyed by investors on an investment they make. Stock return is the profit obtained by investors from an investment made. Stock returns can be in the form of realized returns that have occurred or expected returns that have not occurred but are expected to occur in the future (Jogiyanto, 2017: 283).

2.4 Liquidity Ratio

The liquidity ratio is a ratio that shows a company's ability to fulfill its obligations to pay its short-term debt. Kasmir, 2018: 130 states that the liquidity ratio or often called the working capital ratio is a ratio used to measure how liquid a company is. You do this by comparing the components on the balance sheet, namely total current assets with total current liabilities (short term debt).

The liquidity ratio used in this study is the current ratio. The current ratio is used to measure the company's ability to pay the company's short-term obligations using liquid company assets at this time or current assets. The higher the company's current assets, the higher the company's ability to pay its short-term obligations. Then it will attract investors to buy shares, with an increase in buying and selling shares, the stock price and stock return will also increase. A high liquidity value indicates that the company has good corporate performance, with current assets greater than the company's current liabilities. The higher the liquidity value indicates an increasing stock price,

Christian, et al (2021), Pratama, et al (2019), Lesman, et al (2021), and Dewi (2016) Firmansyah provide empirical evidence that liquidity has a significant effect on stock returns. Based on the description above, the

hypothesis is formulated as follows:
H1: Liquidity affects stock returns.

2.5 Solvency Ratio

Hery, 2017: 295 says that the solvency ratio is the ratio used to measure the extent to which a company's assets are financed with debt. In other words, the solvency ratio is the ratio used to measure how much debt the company must bear in order to fulfill its assets. IAI (2020), the solvency ratio is the ratio that shows the company's ability to pay all of its debts with its assets if the company is liquidated.

The solvency ratio is used to measure a company's ability to meet its various long-term debt obligations. The higher the solvency ratio, the higher the risk of loss, but there is also the opportunity to earn large profits. Conversely, if the solvency ratio is low, the company has a smaller risk of loss. Which means the lower the solvency ratio, it can attract investors to buy company shares. With an increase in purchases, the stock price also increases and stock returns also increase.

The solvency ratio used in this study is the Debt to Equity Ratio (DER). DER is a solvency ratio that reflects a company's ability to meet its long-term obligations. If the liquidity ratio is higher, the better, and vice versa, if the solvency ratio is lower, the higher the ability of a company to be able to fulfill all of its obligations. Which shows that the company is able to pay its long-term obligations without having to borrow funds from creditors. The better the company's ability to pay long-term obligations, the more it attracts investors to invest, thereby increasing stock prices and increasing stock returns.

A low solvency value will increase investor confidence that the company has good financial performance. Then investors will be interested and will make the buying and selling of shares increase. The increased purchase of company shares resulted in an increase in stock prices and stock returns also increased.

Ika, et al (2017), Pratama, et al (2019), and Christian, et al (2021) provide empirical evidence that solvency has a significant effect on stock returns. Based on the description above, the following hypothesis is formulated:
H2: Solvency has an effect on stock returns

2.6 Activity Ratio

Kusumawati, et al 2017 activity ratio calculates the level of effectiveness by maximizing the entity's resources, so that you can find out the comparison of each type of asset with current or projected sales, whether each asset used is reasonable or too high or vice versa too low. The activity ratio is used to measure the company's effectiveness in using the company's assets, it can also be said that this ratio is used to measure the efficiency (effectiveness) level of the company's resource utilization. The higher the value of the activity ratio, the better the performance of the company's asset turnover, both current assets, fixed assets and total assets as a whole. It can be said that the company is able to utilize its assets to earn income.

The activity ratio used in this study is total asset turnover (TATO). Total asset turnover is an activity ratio that is used to see the company's ability to compare sales generated with total assets owned by the company. The higher the TATO, it shows that the company is able to utilize the company's assets properly to generate high sales. The high sales generated will make the company's stock price increase so as to make stock returns also increase.

The higher the value of the activity ratio, the higher the confidence of investors that the company can utilize the company's assets properly and has good financial performance. This will attract investors to buy shares of the company. Increased purchase of shares will result in rising stock prices and stock returns will also increase.

Asia (2020), Pratama, et al (2019), and Dewi, et al (2020) provide empirical evidence that solvency has a significant effect on stock returns. Based on the description above, the hypothesis is formulated as follows:
H3: Activities affect stock returns

2.7 Profitability Ratio

Saragih, 2017 explains that the profitability ratio is a company's ability to generate profit over a certain period. The profitability of a company is measured by the company's success and the company's ability to use its assets productively. Thus the profitability of a company can be known by comparing the profits earned in a period with the total assets or the amount of capital of the company.

Profitability ratios are used to determine the extent to which the company can return the investment that has been made by the company. This ratio is used by investors or analysts to find out a company's ability to generate profits on its assets. A high ROE value will increase the company's reputation in the eyes of capital market players. Increased company reputation makes stock prices rise which results in increased stock returns.

The profitability ratio used in this study is return on equity (ROE). return on equity (ROE) is a ratio used

to show a company's ability to generate net income using its own capital and generate net income available to owners or investors. The better the company's performance will attract investors to invest in the company which makes stock prices rise so that stock returns also increase.

ROE compares net profit after tax with shareholder equity. The higher the net profit after tax generated by the company, it shows that the company's financial performance is good and the more efficient the use of company equity. High profitability will attract investors to invest in the company. With the increase in stock purchase transactions, stock prices have increased and stock returns have also increased.

Almira, et al (2020), Pratama, et al (2019), Simonangkir (2019), and Firmansyah & Kusumawati (2023) provide empirical evidence that profitability has a significant effect on stock returns. Based on the description above, the hypothesis is formulated as follows:

H4: Profitability affects stock returns

2.8 Dividend Policy

Harjito and Martono, 2012: 270 explain dividend policy is a decision whether the profit earned by the company, at the end of the year will be distributed to shareholders in the form of dividends or will be retained to increase capital to finance investment in the future. Dividend policy can also be interpreted as a distribution of profits made by companies originating from company profits. The percentage of profit distributed to the shareholders itself depends on the dividend policy of each company. The higher the percentage of profits distributed, the more investors will believe that the company will provide the best. This will encourage investors to make better investments so that the company's stock market price increases and stock returns also increase.

Dividend payout ratio (DPR) is the ratio of the total amount of dividends paid to shareholders to net income. Some companies pay dividends out of all net income to shareholders. But there are also companies that only pay a portion of the company's profits. If a company pays part of its profits as dividends, then the rest is called retained earnings. Every company has a different dividend payout ratio, depending on the industry and sector. The ideal dividend payout ratio is neither low nor too high, around 30% -40%. Dividend payout ratio above 50% is quite high. The ideal DPR value will make investors interested in making investments which will also increase stock prices and increase stock returns.

Astarina, et al (2019) provide empirical evidence that dividend policy has a significant effect on stock returns. Based on the description above, the hypothesis is formulated as follows:

H5: Dividend policy affects stock returns

3. Research Method

3.1 Population and Sample

The type of research used in this research is qualitative, namely research that describes the object of research using statistical tests to test research hypotheses with a causal relationship. The cause-and-effect relationship studied is an analysis of the effect of financial ratios and dividend policy on stock returns in LQ-45 index companies listed on the Indonesia Stock Exchange in 2016-2020. The population in this study uses the population of companies listed on the Indonesia Stock Exchange 2016-2020.

Table 1. Sample Acquisition Result

No.	Criteria	Amount
	Companies that are members of the LQ-45 Index on the Indonesia Stock Exchange in 2016-2020	225
1	Inconsistent companies listed on the LQ45 index from 2016-2020.	(80)
2	Companies that do not publish reports during the observation period, namely 2016-2020.	(0)
3	Companies listed on the LQ45 index do not pay dividends for three consecutive years.	(15)
4	Companies that do not have complete data on each variable in the study.	(30)
	Total sample during the 2016-2020 observation period	100
	Outliers	8
	Number of samples that can be processed	92

Source: Data Analysis Results, 2023

3.2 Research Indicators

Table 2 Research Indicators

Variable	Indicators	Source
Stock returns	$Rt = \frac{Pt - Pt-1}{Pt-1}$	Hartono, (2013)
Liquidity	$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	Cashmere, (2017)
Solvability	$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$	Cashmere, (2017)
Activity	$\text{Total Assets Turnover} = \frac{\text{Sales}}{\text{Total Asset}}$	Henry, (2018)
Profitability	$\text{Return on Equity} = \frac{\text{Laba Bersih Sesudah Pajak}}{\text{Ekuitas Pemegang Saham}}$	Cashmere, (2018)
Dividend Policy	$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$	Hanafi and Halim (2009)

3.3 Data Analysis Techniques

In this study, in testing the hypothesis using multiple linear regression analysis. The multiple linear regression analysis method uses an equation by connecting the independent variables with the dependent variable.

$$RS = \alpha + \beta 1CR + \beta 2DER + \beta 3TATO + \beta 4ROE + \beta 6KD + e$$

4. Result and Discussion

4.1 Descriptive Statistical Analysis

Table 3 Statistical Analysis Test Result

Variable	N	Maximum	Minimum	Means	std. Dev.
*return*Share	92	0.064	-0.067	-0.00130	0.018915
Liquidity	92	4,902	0.280	2.13023	1.104593
Solvability	92	3,316	0.153	1.00723	0.806699
Activity	92	2,290	0.102	0.73573	0.379255
Profitability	92	0.408	-0.073	0.14324	0.089460
Dividend Policy	92	1,627	0.000	0.41996	0.316111
Valid N	92				

Source: Data Analysis Results, 2023

Based on the results of the descriptive statistical tests, it shows that the amount of data analyzed in this study during the 2016-2020 period consisted of 92 samples. Stock returns from 92 sample companies had a maximum value of 0.064 and a minimum value of -0.067. The standard deviation value is 0.018915. The average value of stock returns is -0.00130. The average value of stock returns in companies has a negative value of 0.0013. This means that the company's current year's share price movement compared to the previous year fell by 0.13%.

The liquidity of the 92 sample companies has a maximum value of 4.902 and a minimum value of 0.280. The standard deviation value is 1.104593. The average value of liquidity is 2.13023. The average value of liquidity proxied by CR is 2.13023. This can be interpreted that the average company has the ability to pay its short-term liabilities of 213.023%. For every one rupiah, total short-term liabilities are guaranteed by current assets of IDR 2.13023

The solvency of the 92 sample companies has a maximum value of 3.316 and a minimum value of 0.153. The standard deviation value is 0.806699. The average solvency value is 1.00723. The average solvency value proxied by DER is 1.00723. This can be interpreted that the average company uses a higher debt portion of

100.723% compared to the equity owned by the company. The percentage of financing provided by creditors is 100.723% of the company's equity or every 1.00723 rupiah, the liability is guaranteed to be IDR 1.00 of the company's equity.

The activities of the 92 sample companies have a maximum value of 2.290 and a minimum value of 0.102. The standard deviation value is 0.379255. The average value of activity is 0.73573. The average value of activity proxied by TATO is 0.73573. This can be interpreted that the average company has an effective asset management of 0.73573, during one period there is an average total asset turnover of 0.73573 times.

The profitability of the 92 sample companies has a maximum value of 0.408 and a minimum value of -0.073. The standard deviation value is 0.089460. The average value of profitability is 0.14324.The average value of profitability proxied by ROE in the company is0.14324.The company's ability to generate a net profit of 14.324% of total equity. Every one rupiah of total equity is able to contribute profit after tax of IDR 0.14324. The higher the ROE of an entity, it can be interpreted that the entity is increasingly capable of generating profits.

The dividend policy of 92 sample companies has a maximum value of 1.627 and a minimum value of 0.000. The standard deviation value is 0.316111. The average value of the dividend policy is 0.41996. This can be interpreted from the total earnings per share (earnings per share) that is generated as much as 41.996% for dividends per share. This means that the higher the value of the DPR, the greater the portion of dividends paid to shareholders. In essence, the higher the DPR, the more attractive it will be to investors because the dividend payout portion is larger.

4.2 Classical Assumption Test Results

The results of the classical assumption test are that the data meet the classical assumptions, have normal data, are free of multicollinearity, are free of heteroscedasticity, and have no autocorrelation.

4.3 Discussion

Table 4 Multiple Linear Regression Analysis Test Result

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	std. Error	Betas	Q	Sig.
1	(Constant)	0.004	0.009		0.435	0.664
	Liquidity	0.000	0.002	-0.020	-0.165	0.870
	Solvability	-0.007	0.003	-0.311	-2,294	0.024
	Activity	0.003	0.007	0.057	0.404	0.687
	Profitability	0.033	0.027	0.156	1,210	0.230
	Dividend Policy	-0.009	0.007	-0.150	-1,243	0.217
	Adjusted R2			0.082		
	F			0.029		

Source: Data Analysis Results, 2023

From the F test of 0.029. So it can be seen that the Prob value (F-statistic) is 0.029 because the significant value is less than 0.05, so it can be concluded that all the independent variables namely liquidity, solvency, activity, profitability, and dividend policy are feasible to use or fit. The value of adjusted R2 is 0.082, which means the dependent variable that can be explained by the independent variable is 8.2%. So it can be seen that the independent which includes liquidity, solvency, activity, profitability and dividend policy can explain stock returns while the remaining 91.8% (100% - 8.2%) is influenced by other variables.

Based on the results of the multiple linear regression analysis test, the findings of the influence between the independent variables and the dependent variable are obtained by following the following provisions:

The calculation results between the liquidity variable and the stock return variable have a significance value of 0.870 which is greater than 0.05, so H1 is rejected. The absence of the effect of liquidity on stock returns means that companies with high liquidity will not necessarily produce high stock returns either. A high liquidity value indicates that the company is able to pay its short term obligations. However, a high current ratio does not necessarily guarantee that the company will pay off its current liabilities because the proportion of current assets can be dominated by inventories and uncollectible accounts, which of course cannot be used quickly to pay off its current liabilities, so that liquidity does not affect stock returns.

Liquidity has no effect on stock returns. Liquidity does not affect investors' interest in investing their capital. Information about a company's ability to pay off its short-term obligations is not paid much attention to investors in carrying out stock investment activities. This is because investors pay more attention to information such as company earnings, changes in investment behavior, and dividends distributed.

High liquidity is not necessarily good because under certain conditions it shows a lot of idle company

funds which in turn reduces the company's profit ability. It can be interpreted that current assets which are of considerable value in this case are used as the quantifier in calculating liquidity, and are more dominated by the components of uncollectible accounts and unsold inventories where the value of these two components is higher than the value of other current assets. If this happens, of course the company's liquidity will be high and it will appear as if the company is in a liquid condition. This condition causes the profits derived from operational activities (sales) to also decrease. Declining profits indicate that the demand for shares is decreasing, so stock prices and stock returns on the capital market tend to decrease. This research is consistent with research by Dewi, et al (2020) and Firmansyah & Kusumawati (2023) which provide empirical evidence that liquidity (current ratio) has no effect on stock returns.

The results of calculations between the solvency variable and the stock return variable have a significance value of 0.024 which is smaller than 0.05, so H2 is accepted. Solvency is used to measure the company's ability to meet the company's various long-term obligations. The higher the solvency ratio, the higher the company's risk of experiencing losses, but there is an opportunity to earn large profits. Conversely, if the solvency ratio is low, it has a small risk of loss, so that it can attract investors to buy company shares until stock prices increase and result in stock returns also increasing. The lower the solvency ratio, the higher the company's ability to fulfill all its long-term obligations. This shows that the company can pay its obligations without having to borrow from creditors. The lower the solvency value, the more attractive investors will be to invest and will increase stock prices as well as stock returns. Investor trust in the company will increase if the solvency value of the company is low. Because the company's low solvency value indicates that the company has good financial performance. So that investors are interested in buying and selling shares and causing stock prices to rise as well as stock returns. This research is consistent with the research of Ika, et al (2017), Pratama, et al (2019) and Christian, et al (2021) which provide empirical evidence that solvency has an effect on stock returns. The lower the solvency value, the more attractive investors will be to invest and will increase stock prices as well as stock returns. Investor trust in the company will increase if the solvency value of the company is low. Because the company's low solvency value indicates that the company has good financial performance. So that investors are interested in buying and selling shares and causing stock prices to rise as well as stock returns. This research is consistent with the research of Ika, et al (2017), Pratama, et al (2019) and Christian, et al (2021) which provide empirical evidence that solvency has an effect on stock returns. The lower the solvency value, the more attractive investors will be to invest and will increase stock prices as well as stock returns. Investor trust in the company will increase if the solvency value of the company is low. Because the company's low solvency value indicates that the company has good financial performance. So that investors are interested in buying and selling shares and causing stock prices to rise as well as stock returns. This research is consistent with the research of Ika, et al (2017), Pratama, et al (2019) and Christian, et al (2021) which provide empirical evidence that solvency has an effect on stock returns. Investor trust in the company will increase if the solvency value of the company is low. Because the company's low solvency value indicates that the company has good financial performance. So that investors are interested in buying and selling shares and causing stock prices to rise as well as stock returns. This research is consistent with the research of Ika, et al (2017), Pratama, et al (2019) and Christian, et al (2021) which provide empirical evidence that solvency has an effect on stock returns. Investor trust in the company will increase if the solvency value of the company is low. Because the company's low solvency value indicates that the company has good financial performance. So that investors are interested in buying and selling shares and causing stock prices to rise as well as stock returns. This research is consistent with the research of Ika, et al (2017), Pratama, et al (2019) and Christian, et al (2021) which provide empirical evidence that solvency has an effect on stock returns.

The results of calculations between activity variables and stock returns obtain a significance value of 0.687 which is greater than 0.05, so H3 is rejected. This shows that the company's ability to optimize asset management effectively and efficiently does not affect investors' interest in buying company shares. In this case, investors are more focused on the other side of investing rather than the activity ratio, so that high or low activity does not affect stock returns. Activities are used to measure the company's effectiveness in using or utilizing its assets. Activity does not affect stock returns, meaning that the level of activity does not affect stock returns. The company's ability to utilize assets to gain income and profit does not attract investors to invest and has an impact on the growth of the activity ratio and has no effect on the high and low stock returns. A high activity value may increase the company's income, but this does not guarantee an increase in company profits. Even though there is additional income, the company also bears additional costs for the income earned by the company. Investors in making decisions consider more stable company conditions, which means certainty in the return that will be received by the company. This research is consistent with the research of Adminah, et al (2017) which provides empirical evidence that activity has no effect on stock returns.

The results of calculations between the profitability variable and stock returns obtain a significance value of 0.230 which is greater than 0.05, so H4 is rejected. This shows that the increase and decrease in profitability

does not affect stock returns. In this case, it means that the level of profitability does not affect the interest of investors to invest in the company and does not affect the level of stock returns. Profitability is used to determine the extent to which the company can return the investment that has been made by investors. Hadiningrat ddk, 2017 said that there is a possibility of window dressing practices on the financial reports presented so that the company's performance looks better which results in distrust from investors. So that investors are not so focused on profitability and pay more attention to other factors in seeing the growth of stock returns. Profitability is an indicator of a company's ability to generate profits. However, in this study profitability has no effect on stock returns. In this case investors may focus on technical differences in calculations, company size, Indonesian money market conditions, internal factors other than economic fundamentals, money supply rates, sales, sales growth, costs, cash dividends, social, political and economic conditions which are factors Another factor that must be considered in determining stock returns. This research is consistent with the research of Adminah, et al (2020), samalam, et al (2018), Yap, et al (2019), Hartinah (2020) and Christian,

The results of calculations between dividend policy variables and stock returns obtain a significance value of 0.217 which is greater than 0.05, then H5 is rejected. This is because dividend policy can have an impact on the company's stock price. This is in accordance with the theory of "Irrelevant Dividends" the value of a company is not determined by the size of the dividend policy (dividend payout ratio). So the rise and fall of stock prices which have an impact on the decline in stock returns is not influenced by the size of the dividend policy. Dividend policy is the distribution of profits given by the company to all shareholders in the form of dividends. the size of the distribution of dividends to shareholders does not affect the increase or decrease in share prices. So that the dividend policy or profit sharing in the form of dividends does not affect stock returns. Dividend policy has no effect on stock returns. This is because the dividend policy is only a small part of the company's funding decisions and there are also no restrictions on dividend distribution. So that the size of a company's dividend policy does not affect stock returns. This research is consistent with research by Dewi, et al (2020), which provides empirical evidence that dividend policy has no effect on stock returns. So that the size of a company's dividend policy does not affect stock returns. This research is consistent with research by Dewi, et al (2020), which provides empirical evidence that dividend policy has no effect on stock returns. So that the size of a company's dividend policy does not affect stock returns. This research is consistent with research by Dewi, et al (2020), which provides empirical evidence that dividend policy has no effect on stock returns.

5. Conclusion

Based on the results of testing and discussion, the researcher draws the following conclusions:

1. Liquidity does not affect stock returns, high or low liquidity does not affect stock returns.
2. Solvency has an effect on stock returns, the level of solvency has an effect on stock returns. The higher the company's solvency ratio, the lower the stock return. Conversely, the lower the company's solvency ratio, the higher the stock return.
3. Activity does not affect stock returns, the level of activity does not affect stock returns.
4. Profitability has no effect on stock returns, high or low profitability has no effect on stock returns.
5. Dividend policy has no effect on stock returns, the level of dividend policy has no effect on stock returns.

In this study there are several limitations which later these limitations can be taken into consideration in subsequent studies so that the research can be better. As for some of the limitations of this research are:

1. This research was only conducted in the scope of companies that are included in the LQ-45 index on the IDX, which does not represent all companies listed on the IDX.
2. The observation period used in this study was only used for five years, namely 2016-2020.
3. The test results for the coefficient of determination (Adjust R square) show a value of only 0.132, which indicates that the independent variable is 13.2%. Which means that 86.8% of the dependent variable is influenced by other variables. This indicates that there are still other variables that need to be identified.

Based on the conclusions and limitations of this study, the suggestions that can be considered for future research are as follows:

1. Subsequent research can expand the object of research on other company sectors listed on the Indonesia Stock Exchange.
2. Further research is suggested to extend the research period, to find out the long-term prospects of the company being studied.
3. Further research is suggested to add research variables that affect stock returns, such as cash flow and interest rates.

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