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Determining Stock Returns for the LQ45 Index on the Indonesia Stock Exchange

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Abstract

For a country, capital markets play a crucial role in maintaining capital flows and economic activity. Therefore, investing in capital markets requires numerous considerations. This study aims to identify factors that influence returns. Shares of companies listed on the LQ45 Index on the Indonesia Stock Exchange from 2023 to 2025. The independent variable in this study is Return on Assets (ROA). Return on Equity (ROE), Price to Book Value (PBV), Debt to Equity Ratio (DER) and Market Capitalization, while the dependent variable is Return Stocks. This study uses panel data using a purposive sampling method that produces 90 samples. Panel data regression analysis used Fixed Effect Model (FEM). The results of this study indicate that Price to Book Value (PBV) has a significant and negative influence against Return Stocks and Market Capitalization has a significant and positive influence on Return Stocks. Meanwhile, Return on Equity (ROE) and Debt to Equity Ratio (DER) does not have a significant effect on Return Stocks. This study confirms that in the 2023-2025 period, investors in companies listed in the LQ45 Index prioritized company value over profitability and existing capital structure. These findings are expected to provide practical insights for investors and other stakeholders in the capital market.

INTRODUCTION

For a country, capital markets play a crucial role in maintaining the flow of capital and economic activity. Capital markets can be defined as an organized mechanism for the transfer of money capital or financial resources from individuals or institutional savers to industry players or companies (Paramasivan & Subramanian). Capital markets offer a variety of securities, such as bonds, stocks, and other financial instruments offered through securities.

Capital markets play a vital role in a country, providing facilities for industry and all entities to meet the demand and supply of capital. There are five roles of capital markets in a country, namely: facilitating efficient bringing together of buyers and sellers of corporate securities to determine the price position of shares, bonds, and other financial instruments, facilitating capital investment, increasing liquidity, driving the economy, and facilitating the provision of relevant and transparent information (Sinurat et al., 2022).

Based on the role of the capital market, investors primarily desire a high rate of return while minimizing the risks of their investments. This requires investors to understand company performance and market capitalization to assist them in making investment decisions that will achieve their desired returns (P.D et al., 2023).

This is in line with *Signaling Theory* which was first developed by Spence

(1973)explaining the behavior and relationship between two parties, namely management and investors, in communicating information that influences decision-making (Ghoizali, 2020). This can be seen in the data on the growth of Indonesian stock *returns* on the IDX Index Fact Sheet. Sheet December (2025)where the growth rate against the IHSG over 10 years has increased by +88.9% or +6.2% pa, an increase in the IHSG indicates a bullish market condition, *whereas conversely, if it decreases, it indicates a bearish* capital market condition. (Sari, 2019)Therefore, the increase in the JCI reflects a general increase in stock prices in the capital market, which has the potential to increase stock *returns*.

According to data from the Indonesian Stock Exchange on *the IDX Index Fact Sheet December* (2025) *Market* growth *Capitalization* Over the five years from 2021 to 2025, *the market recorded a growth rate of 17.71% pa, increasing from 8,256 to 15,849. Capitalization* The market value of a company's shares multiplied by the number of shares outstanding (Van Hoirne, 2002)reflects the company's productive assets, including intangible assets. This condition has the potential to increase investment interest and influence the stock *returns* received by investors (Lang et al., 2003). This is in line with what was conveyed by (Kuvshinoiv & Zimmermann, 2022)and, (Faroioiq et al., 2022)namely, companies with *a market value* of 100%.(Hall, 2001) *capitalization* reflects the market value of a company and can therefore have an impact on improving business quality. Companies with *market capitalization Good capitalization* tends to have few financial problems and has enough resources to invest or generate *returns*.

Financial performance analysis has always been an important basis that must be given special attention by companies and stakeholders to ensure increased *returns.* and reduce risk (Apoistoil & Boindoic, 2021). Companies with strong *fundamentals can generate* substantial (Cakici et al., 2013)returns, making them a primary choice for investors. According to Hanauer & Lauterbach (2019)[the authors], companies with good information on *profitability, valuation, investment, size, and momentum can explain variations in stock returns* in emerging markets.

Profitability can be measured by *Return Return on Equity* is the value obtained by dividing net income by common shareholders' equity. This ratio measures the rate of return received by shareholders after accounting for the impact of debt use.(Van Hoirne & Wachoiwicz, 2008) (Brigham & Hoiustoin, 2019). *Return on Equity* A high ROE often reflects a company's ability to capitalize on good investment opportunities and manage costs effectively. However, if a company uses a higher level of debt than industry standards, the high ROE may simply be a result of the use of *leverage.* excessive and taking too much risk (Akhtar, 2021). According to research conducted by (Mahirun, 2023), (Kurniati, 2019), and (Silvia et al., 2025)said that ROE has a significant effect on stock *returns*, this indicates that the better the company's financial performance, the higher *the return* generated by the company. Companies with high financial capabilities will attract the attention of investors with the hope of *a return* high, which comes from *capital gains* and dividends. This differs from the results of research conducted by (Hikmah, 2019)stating that ROE has an insignificant and negative influence on the company's stock price, this research is only limited to stock prices and not *returns* shares, so that further research can be done.

Valuation can be measured by *Price to Book Value* (PBV), which is a ratio comparing

the share price per share to the book value of equity per share (Husnan & Pudjiastuti, 2018). This indicator is well-adapted for identifying stock *returns* in both developed and developing countries, allowing investors to assess the company's future (Akhtar, 2021)(Jun et al., 2003)valuation. According to research conducted by Akhtar (2021), Lewellen (2015)it Kim (2022)is stated that *price to book value* has a significant influence on *returns* shares, meaning that the increase and decrease in PBV is closely related to the investor's perspective in assessing *returns* a company. In addition, the results of research conducted by Xie (2021)*the book* show that *to market* The ratio, or inverse of PBV, is one of the variables that can predict future stock (Mahirun, 2023)returns. However, there are conflicting results from research conducted by, (Fatmawati & Sembiring, 2022), and (Hutasoiit & Syahriandy, 2024)it states that *price to book value* has no significant influence on *return* share.

Capital structure can be seen from *Debt to Equity Ratio* (DER) is a ratio used to see the company's ability to manage their debt from the net assets they have and to see how strong *their capital is. structure* owned by the company (Van Hoirne & Wachoiwicz, 2008). A high DER can be interpreted as a high financial risk that must be managed by a company. From a *signaling perspective theory*, DER is an indicator for assessing a company's ability to manage *capital. structure* They do well (Anggraeni et al., 2026). According to research conducted by (Mahirun, 2023)and (Tahmat & Melindyana, 2024)said that DER has a significant and negative effect on *returns* shares. These results can be explained by *the trend off theory* which states that the use of debt that exceeds the optimal level will increase the risk of bankruptcy and *financial costs. distress* This can lower the company's value and reduce investor interest in the company (Moidigliani & Miller, 1958)(Kraus & Litzenberger, 1973). This differs from research conducted by (Anggraeni et al., 2026), (Riantani & Koimariah, 2023)which (Hikmah, 2019)states that DER has an insignificant effect on *returns.* Their findings are supported by *the Pecking Order Theory,* which Myers & Majluf (1984)explains that companies are more likely to use internal funding, then debt, and finally, issue new shares as a last resort. Under these conditions, increased debt cannot always be viewed negatively as a normal financing strategy, so changes in DER do not always impact *returns.* shares significantly.

Furthermore, according to research conducted by (Anggraeni et al., 2026), (Cakici et al., 2016), and (Riantani & Koimariah, 2023)said that *the market capitalization* has a significant and positive effect on *stock return*. This shows that the increase and decrease *in market Capitalization* can be used as an indicator to predict stock *returns.* This condition reflects an increase in stock prices for a given number of shares, this is because investors prefer companies with *a market capitalization. capitalization* which is bigger so *there is demand* large ones can move stock prices to higher values and generate *returns* for investors. Research conducted by (Nurhayati, 2022)says that *the market capitalization* has no significant and negative effect on *returns* stocks and research from (Haryantoi, 2021)and (P.D et al., 2023)said that *the market capitalization* has a significant and negative effect on *returns* share.

This research will focus on the influence of *returns on equity*, *price to book value, debt to equity ratio* and *market capitalization* against *returns* Stocks in the LQ45 index of companies listed on the Indonesia Stock Exchange for the 2023-2025 period. The LQ45 index was chosen because the companies included in the index are known for their high liquidity, large capitalization, strong fundamental support, and strong growth prospects. Therefore, investors

and previous research typically use this index to identify the condition of leading stocks in the There is something interesting about this index that drew attention in this research. Following the sharp decline in Indonesian stocks in early 2020 due to the Covid-19 pandemic, stocks on the Indonesia Stock Exchange experienced a bounce. The LQ45 has rebounded from its low point in mid-2020-2022. This marks a recovery phase for Indonesian stocks since the Covid-19 outbreak. By the end of 2025, the LQ45's historical performance was 6.89%, a stark contrast to the Jakarta Composite Index (JCI) at 88.26% and the Indonesia Sharia Stock Index (ISSI) by 112.74%. This is an interesting point to examine whether the decline in the LQ45 index's performance was influenced by fundamental factors such as Price to Book Value, Return on Equity, Debt to Equity Ratio, and Market Capitalization, or there are other factors that influence the performance of this stock index.

Based on the background explained previously, the problem identificationn in this study is to determine the influence of *returns on equity, price to book value, debt to equity ratio, market capitalizationn* on stock *returns* in companies listed in the LQ45 index on the Indonesia Stock Exchange in 2023-2025.

METHOD

This research used a quantitative approach with a descriptive- verifiable design. This approach was chosen because it focuses on testing the hypothesis of the influence of independent variables consisting of *returns. on equity, price to book value, debt to equity ratio,* and *market capitalization* on the dependent variable, namely stock returns, through measurable and objective statistical testing. Descriptive research is research used to describe the characteristics of a variable being studied, and variable research is used to determine the validity of a hypothesis through data collection in the field (Sugiyoinoi, 2013). This research is longitudinal and uses panel data, a combination of *cross-sectional data. section* with *time data* This panel data is very superior compared to the *cross -sectional method. section* or *time series* Because it is a combination of both, it is able to control individual heterogeneity, provide a wealth of information, and provide variation in the data available for research. It also offers a greater degree of freedom, thus increasing estimation efficiency (Hsiaoi, 2003)(Baltagi, 2005). The data used is secondary data obtained from audited financial reports and stock price data available on *websites. Indonesia Stock Exchange (idx.co.id). Statistical data management will be performed using* Eviews 13 software.

The population of this study is all companies listed on the LQ45 Index of the Indonesia Stock Exchange during the 2023-2025 period. The LQ45 itself is an index containing companies with excellent financial capabilities, this is reflected in high liquidity, large market capitalization and sound fundamentals that illustrate the position of the Indonesian capital market. The sample is part of the number and characteristics possessed by the population. The sampling technique used in this study is *purposive sampling.* With the criteria of the Company consistently listed on the LQ45 Index during the 2023-2025 period without leaving or entering the index during the specified period, the Company publishes a complete and accessible audit report for the 2023-2025 period, the Company has complete data for all research variables during the observation period, the Company did not experience delisting or trading suspension during the study period. The selected sample size is 30 samples per year or a total of 90 samples.

There are four independent variables, namely, *Return on Equity* is a financial ratio that compares net income after tax (less preferred stock and dividends, if any) with the equity invested by shareholders in the company. (Van Hoirne & Wachoiwicz, 2008)(Brigham & Hoiustoin, 2019), *Price to Book Value* (PBV) or commonly known *as Market Value to Book Value Ratio* (MBV) This ratio compares the share price per share with the book value of equity per share (Husnan & Pudjiastuti, 2018), *Debt The debt -to -equity ratio* is a ratio that assesses the extent to which a company uses borrowed funds. The debt-to-equity ratio is calculated by dividing the company's total debt (including current liabilities) by shareholder equity. (Van Horne & Wachowicz, 2008), and *Market Capitalization* is a market indicator for assessing a company's value. This ratio is the ratio of the share price per share multiplied by the number of shares currently outstanding (Van Horne & Wachowicz, 2008). One dependent variable, return, is the rate of return on investment expected by a company or investor (Inrawan et al., 2022). According to the report, Van Hoirne & Wachoiwicz (2008)returns on stock investments come from two sources: dividends and changes in stock prices, which ultimately result in capital gains. loss.

Testing in this study will be carried out in stages, starting with descriptive statistical analysis, which is an analysis used to determine the average value (mean), the highest value (maximum), the lowest value (minimum), and the standard deviation of the data used in the study. This analysis is used on independent and dependent variables to obtain a general overview of the variables used later. Next, the panel data regression model is selected using the Chow Test, the Hausman Test, and the Lagrange Test. Multiple (*Breusch Pagan)* to choose the right model, namely, *common fixed effect model effect model* and *random effect model. After the model is selected, it is continued with the Classical Assumption Test, namely the* Multicollinearity Test, which is a test that aims to find the correlation between independent variables in the regression model (Basuki & Yuliandi, 2014), and the Heteroscedasticity Test aims to test whether there is inequality in the regression model. *variance* of *the residuals* from one observation to another (Ghoizali, 2021).

After conducting the classical assumption test, the study continued with panel data regression analysis to examine the effect of independent variables (ROE, PBV, DER, and Market Cap) on the dependent variable (stock returns) in companies listed on the LQ45 index of the Indonesia Stock Exchange during the 2023-2025 period. Panel data regression analysis can be used to examine the effect of independent variables on the dependent variable by combining cross-sectional data. action with time data According to Gujarati (2003)panel data, it has advantages because it can increase the number of observations covered, reduce multicollinearity problems, and can provide more efficient estimation results compared to using cross-sectional data. section or time series separately.

$$RS_{it} = \alpha + \beta 1\ ROE_{it} + \beta 2\ PBV_{it} + \beta 3\ DER_{it} + \beta 4\ Ln\_MarketCap_{it} + \varepsilon_{it}$$

Information:

- RSit = Share Return of company i in period t
- α = Constant
- β1−β4 = Regression coefficient
- εit = Error term
- i = company (cross-section)

- t = time (time series)

After that, it is continued to test the hypothesis with the t-test which can be used to test the influence of each independent variable on the dependent variable partially (Ghoizali, 2021)and the F-test which is a test that determines the influence of independent variables simultaneously on the dependent variable. (Ghoizali, 2021)And finally, the calculation of the Determination Coefficient (Adjusted R *Square)* is carried out, which is a measuring tool used in statistics to measure the model's ability to explain variations in the dependent variable (Ghoizali, 2021).

RESULTS AND DISCUSSION

Descriptive Statistical Test Results

Table 1 Descriptive Test

	ROE	**PBV**	**DER**	**Market Cap**	**Return**
Mean	0.148222	2.678111	2.057889	31.93422	0.051333
Median	0.140000	1,300,000	0.850000	31.82500	-0.035000
Maximum	1,710,000	39.83000	12.70000	34.71000	2,550,000
Minimum	-2.530000	0.360000	0.140000	29.58000	-0.470000
Std. Dev.	0.395189	5.745610	2.680470	1.098195	0.395268
Observations	90	90	90	90	90

Source: Data Processing with Eviews 1

Based on the table above, it was found that the number of observations from this study was 90 samples. Stock *Return* has an average value of 0.051333, a minimum value of -0.47, a maximum value of 2.55, a standard deviation value of 0.395268, and a median value of -0.035000. *on Equity* (ROE) has an average of 0.148222, a minimum value of -2.53, a maximum value of 1.71, a standard deviation value of 0.395189, and a median value of 0.140000. *Price to Book Value* (PBV) has an average of 2.67, a minimum value of 0.36, a maximum value of 39.83, and a standard deviation of 5.74. *to Equity Ratio* (DER) has an average value of 2.057889, a minimum value of 0.14, a maximum value of 12.70, a standard deviation value of 2.680470 and a median value of 0.85. Market Capitalization (MarketCap) Market value Capitalization has been transformed into natural logarithm form, so that it has an average value of 31.93422, a minimum value of 29.58, a maximum value of 34.71, a standard deviation value of 1.098195 and a median value of 31.82500.

Panel Data Regression Model
CEM Model

Table 2. *Common Effect Model*

Dependent Variable: RETURN				
Method: Least Panel Squares				
Date: 06/30/26 Time: 15:46				
Sample: 2023 2025				
Periods included: 3				
Cross-sections included: 30				
Total panel (balanced) observations: 90				
Variable	Coefficient	Std. Error	t- Statistic	Prob.
C	-1.738723	1.248703	-1.392423	0.1674
ROE	0.119776	0.135529	0.883768	0.3793
PBV	-0.010074	0.009371	-1.075022	0.2854
DER	-0.015215	0.016231	-0.937451	0.3512
MARKETCAP	0.057324	0.039322	1.457822	0.1486
R- squared	0.040409	Mean dependent var		0.051333
Adjusted R- squared	-0.004749	SD dependent var		0.395268
SE of regression	0.396205	Akaike info criterion		1.040182
Sum squared residual	13.34316	Schwarz criterion		1.179061
Log likelihood	-41.80820	Hannan-Quinn criter.		1.096186
F- statistic	0.894840	Durbin-Watson stat		1.998234
Prob (F- statistic)	0.470781			

Source: Data Processing with Eviews 13

Based on the model table above, it can be seen that the calculated Prob. t value of the *Return variable Return on Equity* (ROE), *Price to Book Value* (PBV), *Debt to Equity Ratio* (DER), *Market Capitalization* (Market Cap) of 0.3793, 0.2854, 0.3512, and 0.1486, while the value of Prob (F- statistic) is 0.470781 and the value of adjusted R- square is -0.004749

FEM Model

Table 3*Fixed Effect Model*

Dependent Variable: RETURN				
Method: Least Panel Squares				
Date: 06/30/26 Time: 15:45				
Sample: 2023 2025				
Periods included: 3				
Cross-sections included: 30				
Total panel (balanced) observations: 90				
Variable	Coefficient	Std. Error	t- Statistic	Prob.
C	-41.01314	4.485523	-9.143446	0.0000
ROE	0.139585	0.129550	1.077456	0.2859
PBV	-0.062395	0.021514	-2.900154	0.0053
DER	0.108073	0.097211	1.111727	0.2710
MARKETCAP	1.283528	0.140075	9.163148	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				

R- squared	0.725974	Mean dependent var	0.051333
Adjusted R- squared	0.564495	SD dependent var	0.395268
SE of regression	0.260848	Akaike info criterion	0.431341
Sum squared residual	3.810339	Schwarz criterion	1.375714
Log likelihood	14.58965	Hannan-Quinn criter.	0.812168
F- statistic	4.495769	Durbin-Watson stat	2.535553
Prob (F- statistic)	0.000000		

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Source: Data Processing with Eviews 13

Based on the model table above, it can be seen that the calculated Prob. t value of the *Return variable Return on Equity* (ROE), *Price to Book Value* (PBV), *Debt to Equity Ratio* (DER), *Market Capitalization* (Market Cap) of 0.2859, 0.0053, 0.2710, and 0.000, while the value of Prob (F- statistic) is 0.0000 and the value of adjusted R- square is 0.564495

REM Model

Table 4*Random Effect Model*

Dependent Variable : RETURN				
Method : EGLS Panel (Cross-section random effects)				
Date: 06/30/26 Time : 15:46				
Sample : 2023 2025				
Periods included : 3				
Cross-sections included : 30				
Total panel (balanced) observations : 90				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t- Statistic	Prob.
C	-3.523983	1.246741	-2.826556	0.0059
ROE	0.108023	0.104610	1.032625	0.3047
PBV	-0.010476	0.008326	-1.258205	0.2118
DER	-0.018839	0.016424	-1.147059	0.2546
MARKETCAP	0.113550	0.039255	2.892600	0.0049
	Effects Specificationn			
			Elementary School	Rho
Cross-section random			0.179326	0.3209
Idiosyncratic random			0.260848	0.6791
	Weighted Statistics			
R- squared	0.059684	Mean dependent var		0.033013
Adjusted R- squared	0.015434	SD dependent var		0.357180
SE of regression	0.354413	Sum squared residual		10.67673
F- statistic	1.348786	Durbin-Watson stat		2.364937
Prob (F- statistic)	0.258654			
	Unweighted Statistics			
R- squared	0.017055	Mean dependent var		0.051333
Sum squared residual	13.66789	Durbin-Watson stat		1.847381

Source: Data Processing with Eviews 13

Based on the model table above, it can be seen that the calculated Prob. t value of the *Return variable Return on Equity* (ROE), *Price to Book Value* (PBV), *Debt to Equity Ratio* (DER), *Market Capitalization* (Market Cap) of 0.3047, 0.2118, 0.2546, and 0.049, while the value of Prob (F- statistic) is 0.258654 and the value of adjusted R- square is 0.015434

Model Selection Test Results

Chow Test

Table 5 Chow Test

Redundant Fixed Effects Tests			
Equation : Untitled			
Test cross-section fixed effects			
Effects Test	Statistics	df.	Prob.
Cross-section F	4.831119	(29.56)	0.0000
Cross-section Chi- square	112.795704	29	0.0000

Source: Data Processing with Eviews 13

Based on the table above which is the result of the Chow Test, the probability value is Cross Section F is 0.0000 < 0.05. Thus, H0 is rejected, so it can be concluded that the selected model is *Fixed Effect Model* (FEM) is more appropriate to use compared to *Common Effect Model* (CEM). Therefore, the Hausman Test will be conducted to determine whether the selected model is the FEM or REM model (Sugiyantoi et al., 2022).

Hausman test

Table 6 Hausman Test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi- Sq. Statistic	Chi- Sq. df.	Prob.
Cross-section random	75.914385	4	0.0000

Source: Data Processing with Eviews 13

Based on the table above which is the result of the Hausman Test, the probability value Cross Section F is 0.0000 < 0.05. Thus, H0 is rejected, so it can be concluded that the selected model is *Fixed Effect Model* (FEM) is more appropriate to use compared to *Random Effect Model* (REM) (Sugiyantoi et al., 2022).

Classical Assumption Test

Chow Test and the Hausman Test, the best model that can be used in this study is the FEM (*Ordinary Model) model. Least* Square). Then the classical test can be done according to Basuki & Yuliandi (2014)and Napitupulu et al. (2021)classical assumption tests on panel data with the OLS approach only use the Multicollinearity Test and Heteroscedasticity Test

Multicollinearity Test

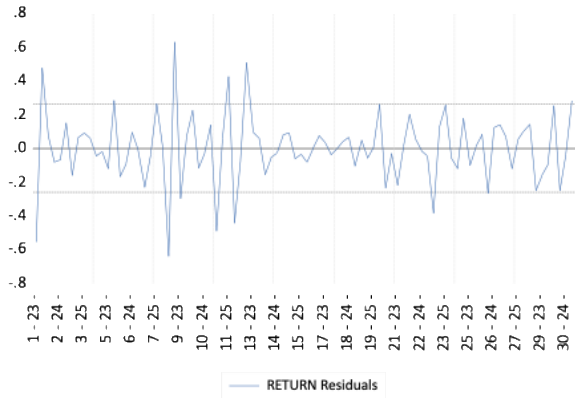
Table 7 Multicollinearity Test

	ROE	PBV	DER	MARKETCAP
ROE	1,000,000	0.615820	0.173018	0.071501
PBV	0.615820	1,000,000	0.168612	0.145401
DER	0.173018	0.168612	1,000,000	0.199413
MARKETCAP	0.071501	0.145401	0.199413	1,000,000

Source: Data Processing with Eviews 13

Based on the table above, it can be seen that the coefficient values of ROE with PBV, ROE with DER, ROE with MarketCap, PBV with DER, PBV with MarketCap, DER with MarketCap are respectively 0.615820, 0.173018, 0.071501, 0.168612, 0.145401, and 0.199413, which are smaller than 0.85. Thus, it can be concluded that there is no serious multicollinearity problem among the independent variables in the research conducted.

Heteroscedasticity Test



Gambar 1. Graphic Uji Heteroskedasticities Residual

Source: Data Processing with Eviews 13

residual graph (heteroscedasticity test) residual) it can be seen that the residual value is still in the range of -6 to 6 where this has not passed the minimum limit and is still in the range of -500 to 500. This can be concluded that there are no symptoms of heteroscedasticity in the data of this study and it passes the test.

Panel Data Regression Analysis

$$Return_{it} = -41.01314 + 0.139584\ ROE_{it} - 0.062395 PBV_{it} + 0.108073\ DER_{it} + 1.283528\ MarketCap_{it} + \varepsilon_{it}$$

The interpretation of the regression equation above is as follows

a. The constant (C) of -41.01314 is an indicator that if all independent variables have a constant value or zero, *the return* The stock will be worth -41.01314. However, this constant value is extrapolative because the MarketCap value is in natural logarithmic form, so empirically it will never approach zero in observational data.

b. The ROE coefficient is 0.139585, which shows that every 1 unit increase in ROE, assuming that other variables are fixed or constant, will increase *returns.* shares of 0.130685 with a positive relationship
c. The PBV coefficient is -0.062395, which shows that every 1 unit increase in PBV, assuming that other variables are fixed or constant, will reduce *returns.* shares of 0.062395 with a negative relationship
d. The DER coefficient is 0.108073, which shows that every 1 unit increase in DER, assuming that other variables are fixed or constant, will increase *return* shares of 0.108073 with a positive relationship
e. MarketCap coefficient is 1.283528, which shows that every 1 unit increase in MarketCap, assuming that other variables are fixed or constant, will increase *return* shares amounting to 1.283528 with a positive relationship.

Hypothesis Testing

Table 8t-test

Variable	Coefficient	Std. Error	t- Statistic	Prob.
C	-41.01314	4.485523	-9.143446	0.0000
ROE	0.139585	0.129550	1.077456	0.2859
PBV	-0.062395	0.021514	-2.900154	0.0053
DER	0.108073	0.097211	1.111727	0.2710
MARKETCAP	1.283528	0.140075	9.163148	0.0000

Source: Data Processing with Eviews 13

a. The Influence of ROE on Stock Returns
The test results obtained a probability value of 0.2859 > 0.05 for ROE, thus H0 is accepted and H1 is rejected. This indicates that ROE does not have a significant effect on *Return on Assets (ROE).* Share
b. The Effect of PBV on Stock Returns
The test results show that the PBV probability value is 0.0053 < 0.05, so H0 is rejected and H1 is accepted. This means that PBV has a significant negative effect on stock *returns.*
c. Effect of DER on Stock *Returns*
The test results show that the DER probability value is 0.2710 > 0.05, so H0 is accepted and H1 is rejected. This indicates that DER does not significantly influence stock returns.
d. *Market* Influence *Capitalization* on Stock Returns
The test results show that *the market probability value capitalization* of 0.0000 < 0.05. This makes H0 rejected and H1 accepted. This indicates that *the market value capitalization* has a significant and positive effect on *returns* share.

Table 9F Test and Coefficients Determinationn

R- squared	0.725974	Mean dependent var	0.051333
Adjusted R- squared	0.564495	SD dependent var	0.395268
SE of regressionn	0.260848	Akaike info criterion	0.431341
Sum squared residual	3.810339	Schwarz criterion	1.375714

Log likelihoodd	14.58965	Hannan-Quinn criter.	0.812168
F- statistic	4.495769	Durbin-Watson stat	2.535553
Prob (F- statistic)	0.000000		

Source: Data Processing with Eviews 13

Based on the table above, it can be seen that the F statistic value is 4.496769 with a probability value of 0.0000 < 0.05, so H0 is rejected and H1 is accepted. Thus, it can be concluded that the independent variables simultaneously have a significant effect on *returns.* shares in companies listed in the LQ45 index in the 2023-2025 period.

The coefficient of determination (Adjusted R -*Square)* is a measuring tool used in statistics to measure the model's ability to explain variations in the dependent variable. The R - *Square value* is in the range of 0 to 1. In this study the R- *Square value* of 0.564495 or 56.44%, which indicates that the independent variables in this study together are able to explain 56.45% of the variations that occur in the stock returns of sample companies, while 43.55% is explained by other variables outside of this study which may consist of macroeconomic factors (inflation, interest rates, and exchange rates), market sentiment, political atmosphere and government policies or other factors.

CONCLUSION

This study looked at what drives stock returns for companies in Indonesia's LQ45 index from 2023 to 2025, testing four factors: ROE (return on equity), PBV (price to book value), DER (debt to equity ratio), and market capitalization. It found that only PBV and market capitalization significantly affect stock returns PBV has a negative relationship (lower PBV, meaning undervalued stocks, tends to attract investors and boost returns), while market cap has a positive relationship (larger, more established companies tend to generate better returns, likely due to fewer financial problems and more resources). ROE and DER, on the other hand, didn't show a statistically significant effect on returns. Together, all four factors explain about 56% of the variation in stock returns, with the remaining 44% likely coming from outside factors like the economy, market sentiment, or government policy. Overall, the findings suggest investors care more about a company's value (via PBV and market cap) than its profitability or debt structure when deciding on stock returns, and future research could expand this by adding more variables, a bigger sample, or a longer time period.

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