The Effect Of Return On Assets, Debt To Equity Ratio, And Current Ratio On Stock Returns With Dividend Policy As An Intervening Variable

Eva Emilia Suci Helmiawati[1], Judi Suharsono[2], Ahmad Iskandar Rahman-syah[3]

[123]Panca Marga University, Faculty of Economics and Business, Jln. Yos Sudarso Pabean, Probolinggo, Indonesia, 67271

evaemiliasucihelmiawati9@gmail.com

ARTICLE INFO

ABSTRACT

This research aims to examine the influence of return on asset, debt to equity ratio, and current ratio on stock returns with dividend policy as an intervening variable in mining companies listed on the IDX for the 2020-2022 period. The type of research used is quantitative research with a descriptive approach. The population in this research are mining companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2022 period. Sample determination was carried out using the purposive sampling method. The data source used in this research comes from secondary data in the form of company financial reports. The data collection technique uses the documentation method. The data analysis technique used is the outer model test and inner model test. The result of this test show that return on asset and debt to equity ratio have an effect on stock returns, the current ratio has no effect on stock returns. Return on asset, debt to equity ratio, and current ratio have no effect on dividend policy, dividend policy has an effect on stock returns, and dividend policy as an intervening variable cannot mediate return on asset, debt to equity ratio, and current ratio on stock returns.

Keywords: ROA, DER, CR, RETURN, DPR

---

1. Introduction

Developing and advanced companies are currently experiencing intense competition. This is due to the development of technology that encourages new companies to enter the competitive market. The growth of new companies encourages intense competition between companies, so that with the increasing market competition requires a company to be able to create strategies that can win the competition. The goal of an investor in investing is to maximize profits, taking into account the investment risks he will face. High risk reflects the uncertainty that investors will consider in the future. Situations like this encourage prudent investors to carefully consider the risks and benefits of each security. The higher the expected rate of return, the greater the risk.

The higher the stock return expected by investors, the higher the risk that will be obtained, and vice versa (Wiyono & Ramlani, 2022). There are many factors that can affect stock returns. In some conditions, dividend policy also plays a role in determining the level of stock returns. According to Hadi in (Asrini, 2020) explains that dividend policy (dividend payout ratio) is management's intention to share its performance for shareholders. There are several things that

can affect dividend policy (DPR) in a company, one of which can be seen from the company's performance through financial ratios, such as liquidity, solvency, activity, and profitability ratios. Based on the above background, the researchers are interested in conducting research with the title "The effect of return on assets, debt to equity ratio, and current ratio on stock returns with dividend policy as an intervening variable in mining companies listed on the Indonesia Stock Exchange (IDX) for the period 2020-2022".

2. Literatur Review

2.1 Return on Asset

Return on assets is one of the profitability ratios that shows whether or not the company is effective in managing its assets to get profit (Hudzafidah et al., 2023).

2.2 Debt to Equity Ratio

Debt to equity ratio (DER) is a ratio used to measure debt with equity. This ratio is useful for knowing the amount of funds provided by bor-rowers with company owners (Worotikan et al., 2021).

2.3 Current Ratio

Current Ratio (CR) shows the company's ability to meet its short-term obligations using current assets. A high CR value is considered better at covering its short-term obligations and has an impact on increasing the stock price which will then increase stock returns (Meidiyustiani et al., 2022).

2.4 Stock Returns

According to Yocelyn and Christiawan in (Simorangkir, 2019), stock returns are the income that investors are entitled to get for investing their funds. A rational investor will pay close attention to stock returns because stock returns are an indicator of the success of an investment.

2.5 Dividend Policy

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 for future investment financing (Fitri et al., 2022).

3. Research Method

3.1 Type, Time, and Place of Research

This research uses quantitative methods. Data obtained in the form of numbers from annual financial reports obtained from IDX and Yahoofinance during 2020-2022 for mining companies listed on the Indonesia Stock Exchange (IDX).

3.2 Population and Sample

The population used in this study are mining companies listed on the Indonesian stock exchange during the period 2020-2022. sampling this study using purposive sampling method with certain criteria and producing a sample of 12 companies. This research uses Partial Least Square (PLS) analysis.

3.3 Framework of Thought

The following is a framework for thinking in this study:

Figure 1 Framework of Thought
Source: SmartPLS output, 2024

3.4 Research Hypothesis

Based on the framework, the hypotheses in this study are as follows:

H1 = There is an effect of return on assets on stock returns in mining companies listed on the IDX for the 2020-2022 period (Balqis, 2021).

H2 = There is an effect of debt to equity ratio on stock returns in mining companies listed on the IDX for the period 2020-2022 (Irawan, 2021).

H3 = There is an effect of current ratio on stock returns in mining companies listed on the IDX for the 2020-2022 period (Balqis, 2021).

H4 = There is an effect of return on assets on dividend policy in mining companies listed on the IDX for the 2020-2022 period (Nurhaeni et al., 2022).

H5 = There is an effect of debt to equity ratio on dividend policy in mining companies listed on the IDX for the 2020-2022 period (Wiyono & Ramlani, 2022).

H6 = There is an effect of current ratio on dividend policy in mining companies listed on the IDX for the 2020-2022 period (Meidiyustiani et al., 2022).

H7 = There is an effect of dividend policy on stock returns in mining companies listed on the IDX for the 2020-2022 period (Wiyono & Ramlani, 2022).

H8 = There is an effect of return on assets on stock returns with dividend policy as an intervening variable in mining companies listed on the IDX for the 2020-2022 period (Meidiyustiani et al., 2022).

H9 = There is an effect of debt to equity ratio on stock returns with dividend policy as an intervening variable in mining companies listed on the IDX for the 2020-2022 period (Wiyono & Ramlani, 2022).

H10 = There is an effect of current ratio on stock returns with dividend policy as an intervening variable in mining companies listed on the IDX for the 2020-2022 period (Nurhaeni et al., 2022).

4. Result and Discussion

4.1 Research Result

The technical analysis in this study uses the Partial Least Square (PLS) method. PLS is an analysis method that is powerful analysis methods such as data must be multivariate normally distributed and there is no multicolonierity problem between exogenous variables (Ghozali, 2021, p. 5).

Figure 2 Outer Model Test Results
Source: SmartPLS output, 2024

4.1.1 Outer Model Test Results (Measurement Model)

1. Convergent Validity Test
Table 1. Convergent Validity Test Results

Variable	Loading Factor	Provision	Explanation
ROA	1.000	Loading Factor > 0.70	Valid
DER	1.000	Loading Factor > 0.70	Valid
CR	1.000	Loading Factor > 0.70	Valid
Stock Return	1.000	Loading Factor > 0.70	Valid
DPR	1.000	Loading Factor > 0.70	Valid

Source: SmartPLS data output 2024

Based on table 1 above, it can be seen that all variables have a loading factor value above 0.70, namely 1.000, so the variable is declared valid.

2. Descriminant Validity Test
Table 2. Descriminant Validity Test Results

Variable	Cross Loading	AVE	Provision	Explanation
ROA	1.000	1.000	Cross Loading > 0.70 & AVE > 0.50	Valid
DER	1.000	1.000	Cross Loading > 0.70 & AVE > 0.50	Valid
CR	1.000	1.000	Cross Loading > 0.70 & AVE > 0.50	Valid
Stock Return	1.000	1.000	Cross Loading > 0.70 & AVE > 0.50	Valid
DPR	1.000	1.000	Cross Loading > 0.70 & AVE > 0.50	Valid

Source: SmartPLS data output 2024

Based on table 2 above, it can be seen that the cross loading value of all variables is above 0.70, namely 1,000 and the AVE value is also above 0.50, namely 1,000, so the variable is declared valid.

3. Reliability Test
Table 3. Reliability Test

Variable	Cronbach's Alpha	Composite Reliability	Provision	Explanation
ROA	1.000	1.000	> 0.70	Reliabel
DER	1.000	1.000	> 0.70	Reliabel
CR	1.000	1.000	> 0.70	Reliabel
Stock Return	1.000	1.000	> 0.70	Reliabel
DPR	1.000	1.000	> 0.70	Reliabel

Source: SmartPLS data output 2024

Based on table 3 above, it can be seen that the Cronbach's Alpha value of all variables is above 0.70, namely 1.000 and the Composite Reliability value is also above 0.70, namely 1.000, so the variable is declared reliable.

4.1.2 Inner Model Test Results (Structural Model)

1. Determinant Coefficient (R)
Table 4. R-square test results

Variable	R Square
DPR	0.107
Stock Return	0.531

Source: SmartPLS data output 2024

Based on table 4 above, it can be seen that the r-square value for the DPR variable is 0.107 or 10.7%, which is included in the weak category because it is < 0.25 or 25%. The r-square value is 0.107 for the intervening variable, which means that 10.7% of the variation in the dependent variable can be explained by the intervening variable.

The results of the analysis showing the R-square value of the stock return variable of 0.531 indicate that about 53.1% of the variability in stock returns can be explained by the independent variables in the model, namely return on assets, debt to equity ratio, and current ratio. The R-square result of 0.531 is included in the moderate category. While the other 46.9% is explained by other factors outside the model that are not explained in this study.

2. Hypothesis Testing
Direct Effect Testing
Table 5. Direct effect test results

Variabel	Original Sample (O)	T Statistics	P Value
Return On Asset -> Stock Return	-0.279	2.671	0.008
Debt to Equity Ratio -> Stock Return	0.628	5.432	0.000
Current Ratio_ -> Stock Return	0.102	1.097	0.273
Return On Asset -> DPR	0.327	1.593	0.112
Debt to Equity Ratio -> DPR	-0.010	0.051	0.959
Current Ratio_ -> DPR	-0.043	0.225	0.822
DPR -> Stock Return	-0.213	2.466	0.014

Source: SmartPLS data output 2024

Based on table 5 above, it can be seen that the return on assets variable and the debt to equity ratio variable affect stock returns. The current ratio variable has no effect on stock returns. The variable return on assets, debt to equity ratio, and current ratio have no effect on dividend policy. And dividend policy affects stock returns.

Indirect Effect Testing
Table 6. Test results for indirect effects

Variabel	Original Sample (O)	T Statistics	P Values
Return On Asset -> DPR -> Stock Return	-0.070	1.177	0.240
Debt to Equity Ratio -> DPR -> Stock Return	0.002	0.040	0.968
Current Ratio_ -> DPR -> Stock Return	0.009	0.196	0.845

Source: SmartPLS data output 2024

Based on table 6 above, it can be seen that dividend policy cannot mediate the return on assets, debt to equity ratio, and current ratio variables on stock returns.

4.2 Discussion

4.2.1 Effect of Return on Asset on Stock Return

The first hypothesis (H1) states that ROA has an effect on stock returns. This means that companies with high return on assets show good financial performance and are usually considered efficient in managing their resources. This efficiency gives investors confidence that the company can provide good investment returns, both through stock price appreciation and dividends. In addition, if a high return on assets is not accompanied by a significant increase in profits or future prospects, or if the figure is in line with or below market expectations, then the share price is likely to fall. So, a high return on assets does not al-

ways mean that stock returns will be positive, because investors also consider expectations and growth potential. This is in line with research conducted by (Balqis, 2021) which states that return on assets affects stock returns.

4.2.2 Effect of Debt to Equity Ratio on Stock Return

The second hypothesis (H2) states that DER has an effect on stock returns. This shows that there is a strong and important relationship between the company's debt level and its stock returns. In other words, companies that use more debt relative to equity tend to provide higher returns to shareholders, and this relationship is strong enough to be reliable in analyzing and making investment decisions. When the debt to equity ratio increases, the stock return also increases. This suggests that investors may see higher debt usage as a sign of greater growth potential or better financial efficiency. This is in line with research conducted by (Irawan, 2021) which states that the debt to equity ratio has an effect on stock returns.

4.2.3 Effect of Current Ratio on Stock Return

The third hypothesis (H3) states that CR has no effect on stock returns. This means that this indicator reflects more on the company's ability to meet short-term obligations, not the potential growth or profitability that is the main focus of investors. As long as the company is able to maintain adequate liquidity, changes in the current ratio are usually not considered a significant factor in influencing investment decisions or stock price movements. This shows that companies that have a high current ratio will not necessarily produce high stock returns as well. This is in line with research conducted by (Meidiyustiani et al., 2022) which states that the current ratio has no effect on stock returns.

4.2.4 The Effect of Return on Assets on Dividend Policy

The fourth hypothesis (H4) states that ROA has no effect on dividend policy. This shows that changes in return on assets do not have a significant impact on the company's decision to distribute dividends to shareholders. Companies that have a high return on assets may choose to reinvest their profits into the company rather than distribute dividends to shareholders. The company may see profitable investment opportunities that can generate greater profits in the future. Conversely, companies with lower return on assets may be more likely to distribute dividends to attract or retain investors. This is in line with research conducted by (Nurhaeni et al., 2022) which states that return on assets has no effect on dividend policy.

4.2.5 Effect of Debt to Equity Ratio on Dividend Policy

The fifth hypothesis (H5) states that DER has no effect on dividend policy. This suggests that companies that have a higher debt to equity ratio tend to be slightly more likely to increase their dividends. Although there is a tendency that companies with a higher debt to equity ratio may increase dividends, this influence is too weak to

be considered a major or important factor in decision making. Corporate decisions regarding dividend payouts may be influenced by other factors such as cash flow, net income, management strategies, market conditions, or investment opportunities, rather than by the company's debt to equity ratio. This is in line with research conducted by (Meidiyustiani et al., 2022) which states that the debt to equity ratio has no effect on dividend policy.

4.2.6 The Effect of Current Ratio on Dividend Policy

The sixth hypothesis (H6) states that CR has no effect on dividend policy. This shows that a high current ratio does not necessarily mean that the company is in good condition, this can happen because cash is not used as well as possible. Although there is a tendency that an increase in the current ratio slightly reduces dividend policy, this effect is not strong enough to be considered important in statistical analysis. In other words, changes in the current ratio do not have a meaningful impact on the company's decision to distribute dividends. This contradicts research (Meidiyustiani et al., 2022) which states that the current ratio affects dividend policy.

4.2.7 The Effect of Dividend Policy on Stock Returns

The seventh hypothesis (H7) states that dividend policy affects stock returns. This shows that the company's decision regarding dividend distribution can affect the level of return received by investors from their investment in the company. Thus, changes or announcements related to dividend policy can cause changes in stock prices, thereby affecting the return or profit that investors get from these shares. An increase in dividend payments by companies tends to be followed by a decrease in stock returns, which may be due to a variety of factors including investors' perceptions of the long-term growth prospects and liquidity of the company. This is in line with research conducted by (Wiyono & Ramlani, 2022) which states that dividend policy affects stock returns.

4.2.8 The Effect of Return on Assets on Stock Returns With Dividend Policy as an Intervening Variable

The eighth hypothesis (H8) states that ROA has no effect on stock returns mediated by DPR. This shows that dividend policy may not necessarily increase the company's stock return when the return on assets is low. Investors may focus more on the company's operational performance compared to the dividend policy set by the company. In this study, dividend policy cannot be used as a basis for investor consideration to invest. This is in line with research conducted by (Meidiyustiani et al., 2022) which states that dividend policy as an intervening variable cannot mediate return on assets on stock returns.

4.2.9 The Effect of Debt to Equity Ratio on Stock Return with Dividend Policy as an Intervening Variable

The ninth hypothesis (H9) states that DER has no effect on stock returns mediated by DPR.

This shows that dividend policy may not necessarily increase the company's stock return when the debt to equity ratio is low. Investors may focus more on capital structure and financial risk than on the dividend policy set by the company. In this study, dividend policy cannot be used as a basis for investor consideration to invest. This is in line with research conducted by (Wiyono & Ramlani, 2022) which states that dividend policy as an intervening variable cannot mediate the debt to equity ratio on stock returns.

4.2.10 The Effect of Current Ratio on Stock Return with Dividend Policy as an Intervening Variable

The tenth hypothesis (H10) states that CR has no effect on stock returns mediated by DPR. This shows that dividend policy may not necessarily increase the company's stock return when the current ratio is low. Investors may focus more on the company's liquidity than on the dividend policy set by the company. In this study, dividend policy cannot be used as a basis for investor consideration to invest. This is in line with research conducted by (Nurhaeni et al., 2022) which states that dividend policy as an intervening variable cannot mediate the current ratio on stock returns.

5. Conclusions and Suggestions

5.1 Conclusions

Based on the research results and discussion in the previous chapter, it can be concluded that ROA and DER have an effect on stock returns. CR has no effect on stock returns. ROA, DER, and CR have no effect on dividend policy. Dividend policy affects stock returns. Dividend policy as an intervening variable cannot mediate ROA, DER, and CR on stock returns. For future researchers, they should add or test other variables that are thought to have an effect on stock returns and dividend policy.

5.2 Suggestions

For companies, they should pay more attention to managing their financial performance in order to achieve higher profits so that their financial performance is better in the eyes of investors and get returns on their investments. Investors and potential investors must consider profitability when investing in the capital market, because profitability has a huge influence on stock returns.

Reference

Asrini, E. D. (2020). Entrepreneurship Bisnis Manajemen Akuntansi Pengaruh earning per share dan price earning ratio terhadap return saham dengan kebijakan dividen sebagai variabel intervening. *E-Bisma*, *1*(2), 64–78.

Balqis, B. (2021). Determinasi Earning Per Share Dan Return Saham : Analisis Return on Asset, Debt To Equity Ratio, Dan Current Ratio. *Jurnal Ilmu Manajemen Terapan*, *2*(5), 665–675.

Fitri, N., Elfiswandi, & Putra, R. B. (2022). Model Kebijakan Dividen : Analisis EPS, DER, Dan CR Terhadap *Return* Saham. *Jurnal Ilmiah Manajemen Dan Kewirausahaan*, *2*(1), 36-45.

Ghozali, I. (2021). *Partial Least Squares Konsep, Teknik, Dan Aplikasi Menggunakan Program SmartPLS 3.2.9 Untuk Penelitian Empiris* (Abadi Tejokusumo, Ed.; Edisi 3). Badan Penerbit Universitas Diponegoro.

Hudzafidah, K., Rahmansyah, A. I., Dhany U. R., & Suharsono, J. (2023). Pengaruh Rasio Profitabilitas Terhadap Harga Saham Dengan Ipo Sebagai Variabel Moderating. *Jurnal Ekonomi & Ekonomi Syariah*. *6*(1), 1090–1099.

Irawan, J. L. (2021). Pengaruh Return On Equity, Debt to Equity Ratio, Basic Earning Power, Economic Value Added dan Market Value Added Terhadap Return Saham. *Jurnal Akuntansi*, *13*, 148–159.

Meidiyustiani, R., Laksmiwati, M., Oktaviani, R. F., & Rolanda, I. (2022). Peran kebijakan dividen dalam memediasi kinerja keuangan terhadap return saham. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, *5*(4), 1628–1639.

Nurhaeni, S., Lasmanah, & Setiyawan, S. (2022). Pengaruh Rasio Profitabilitas, Ukuran Perusahaan dan Pertumbuhan Penjualan terhadap Return Saham dengan Kebijakan Dividen sebagai Variabel Intervening. *Bandung Conference Series: Business and Management*, *2*(2), 1468–1477.

Simorangkir, R. T. M. C. (2019). Pengaruh Kinerja Keuangan Terhadap *Return* Saham Perusahaan Pertambangan. *Jurnal Bisnis dan Akuntansi*, *21*(2), 155-164.

Wiyono, & Ramlani. (2022). Analisis Pengaruh Ukuran Perusahaan, Profitabilitas, Total Assets Turnover, Dan Leverage Terhadap Return Saham Dengan Kebijakan Dividen Sebagai Variabel Intervening (Studi Pada Perusahaan Consumer Goods yang Terdaftar di BEI Periode 2015-2020). *MANDAR: Management Development and Applied Research Journal*, *4*(2), 61–70.

Worotikan, E. R. C., Koleangan, R. A. M., & Sepang, J. L. (2021). Pengaruh Current Ratio (CR), Debt To Equity Ratio (DER), Return on Assets (ROA) Dan Return on Equity (ROE) Terhadap Return Saham Pada Perusahaan Food and Beverages Yang Terdaftar Di Bursa Efek Indonesia Pada Tahun 2014-2018. *Jurnal EMBA*, *9*(3), 1296–1305.