The Role of Dividend Policy as Moderating Variable on Determinant of Stock Returns

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Abstract:- This study aims to determine the effect of the current ratio, debt-to-equity ratio, total assets turnover, return on assets and firm size on stock returns with dividend policy as a moderating variable. From 2016 to 2020, research was done on the companies listed on the Jakarta Islamic Index. Purposive sampling is the method of sampling that was used in this study. The Jakarta Islamic Index firm provided ten companies for the study's sample and 43 observational data.The data analysis techniques include panel data regression analysis and MRA using the EViews program tool. According to this study, the current ratio, the debt-to-equity ratio, and the return on assets all had a significant positive impact on stock returns. Firm size, on the other hand, significantly negatively impacted stock returns. Furthermore, the only factor that had no discernible effect on stock returns was Total Asset Turnover. The moderating variable of dividend policy can only moderate the current ratio and return on assets, which is the ensuing consequence.

Keywords:- *Current Ratio, Debt to Equity Ratio, Total Asset Turnover, Return on Asset,Firm Size, Stock Return, Dividend Policy and Jakarta Islamic Index.*

I. INTRODUCTION

The global financial markets and economic sectors have been significantly impacted by the COVID-19 pandemic. Entering the end of 2020, the international and national economies are starting to show recovery in the right positive direction. The rally was driven by vaccination efforts, various stimuli, and relaxation policies in the financial services sector. The Indonesian economy has felt the effects of the Covid-19 pandemic as well. The Covid-19 pandemic has also affected shariah-based economic investment, which dropped 13% from $13.6 billion in 2018/2019 to $11.8 billion in 2019/2020. Investments in the halal food and Islamic finance sectors account for more than the total investment value (www.ojk.go.id).

In financial conditions where the level of volatility is considered high entering the Covid-19 pandemic, the Islamic financial system, especially the Islamic capital market, offers an attractive alternative compared to other conventional industries that still contain elements of usury as their primary basis. Islamic capital markets are essential to the entire financial system, just like conventional capital markets. The Islamic capital market industry operates following Sharia and the notion of prosperity, which refers to Sharia's fundamentals. Sharia principles aim to ensure fairness in a transaction because it impacts the protection of related parties from exploitation, fraud and injustice

between reciprocity in conducting transactions (www.ojk.go.id).

Four financial ratios—return on assets, current ratio, total asset turnover, debt-to-equity ratio, and company size—were used in this study of stock returns. The chart below depicts the phenomenon that took place between 2016 and 2020, along with the average shareholder return of the Sri Kehati, LQ-45, and Jakarta Islamic Index companies:
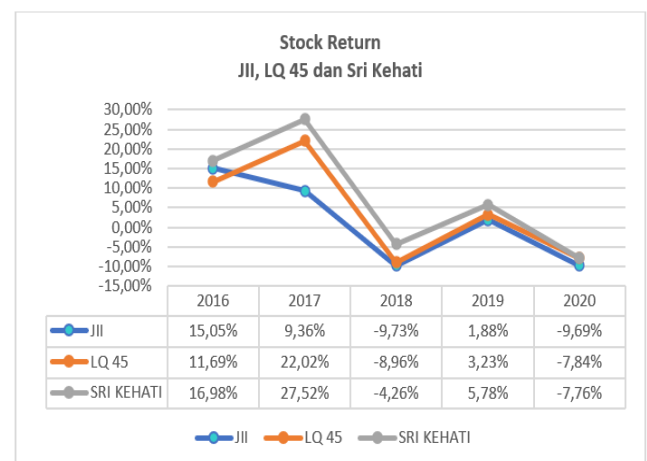

Image 1: Average Stock Return for the Jakarta Islamic Index, LQ-45 and Sri Kehati 2016-2020 (BEI, 2022).

Figure 1.2 shows that, after experiencing a slowdown the year before, the JII index is now in line with Indonesia's economic growth. In 2016 the development of the Islamic capital market was quite encouraging, as illustrated in the graph where the JII index experienced an increase in stock returns of 15.05%, in line with the rise in the LQ 45 index and the SRI index. In the same year, KEHATI's stock returns increased by 11.69% and 16.98%. In 2017 the JII index closed at the level of 759.07 points or a rise of 9.36% compared to the end of December 2016 of 694.13 points. The national stock index and the sharia index fell in 2018 compared to the previous year for the domestic market. The JII index experienced a decrease in stock returns throughout 2018 by (-9.73%) the lowest compared to the LQ 45 index (-8.96%) and the SRI KEHATI index (-4.26%). This was influenced by dynamic economic conditions both domestically and globally throughout 2018. Then in 2019, the JII index recorded an increase in stock returns of 1.88%, the lowest compared to the LQ 45 index of 3.23% and the SRI KEHATI index of 5.78 %. The emergence of the Covid-19 pandemic in December 2020 significantly impacted various corporate sectors listed in the JII index, causing a negative return (-9.69%) and the LQ 45 index, which received a return (-7.84%) and SRI KEHATI index (-

7.76%). This is different from the share of the Islamic capital market in 2020, which was the highest among other Islamic capital market products, but the return obtained was negative.

The current ratio is the most common liquidity ratio used to analyze a firm's working capital position. A high current ratio indicates a good guarantee for short-term creditors, meaning that at any time, the firm can pay off its short-term financial obligations (Silaban, 2021). According to Mufidah and Sucipto (2020), the current ratio significantly influences stock returns. This is consistent with Rasyad's (2020) study, which found that current ratios significantly lower stock returns. Siahaan (2021) came to the opposite conclusion, asserting that current ratios significantly increase stock returns. The findings of 2021 research by Sururi and Silaban, who found that the current ratio had no discernible impact on stock returns, contradict these findings.

The solvency ratio is widely used because it can be used to determine how much of a company's capital is financed by debt (Hawari, 2020). Modigliani and Miller (MM) (1958) in Adiwibowo (2018) state that the value of a firm depends on its capital structure. MM believes increasing leverage will increase stock risk, so investors demand higher returns. Adiwibowo (2018) found that a high debt-to-equity ratio significantly impacted stock returns. Similar results were found by Milenianingsih (2021) and Rasyad (2020) when they examined the impacts of the debt-to-equity ratio on stock returns. On the other hand, the debt-to-equity ratio was shown by Abdullah, Muda, and Syahyunan (2018) to affect stock returns significantly. In contrast to previous research, Nurhikmawaty's (2020) analysis shows that the DER has no appreciable effect on stock returns.

The activity ratio measures the effectiveness of all assets in generating sales (Siahaan, Sadalia and Silalahi, 2021). A high total asset turnover ratio is an activity ratio that, in theory, indicates the quality of management in utilizing a company's assets to produce revenue streams. The efficiency increases with TATO, and fixed-income investors will consider that (Santosa, 2019).Total Asset Turnover has no discernible impact on stock returns, according to a study by Sururi (2021), which is in line with one by Milenianingsih (2021). Studies by Siahaan (2021) and Santosa (2019) reach different conclusions regarding the significant positive impact of Total Asset Turnover on stock returns.

Profitability ratios help show the firm's success in generating profits (Istiqomah & Mardiana, 2020). A company's ability to generate income from its assets can be measured using the profitability ratio known as return on assets. Researchers have reached contradictory conclusions about how much of an impact Return on Assets has on stock return. In their study, Utami and Murwaningsih (2020), it is demonstrated that Return on Assets significantly increases stock returns. Istiqomah and Mardiana's (2020) finding that ROA significantly boosts stock returns is consistent with this. Studies by Sari et al. (2019) and Milenianingsih (2021),

both of which found that ROA did not affect stock returns, produced inconsistent results.

Firm size is the scale companies use to classify firm size by looking at the firm's total assets. The ability to take risks in the various situations a company may encounter depends on its size (Prasetyorini, 2013). In the research of Sururi, Yahya and Abubakar (2021), the results show that the firm's size significantly positively affects the increase in stock prices. Mahfudz and Wijayanto (2020) carried out the same study, which they used to demonstrate that company size significantly boosts stock returns. Firm size, however, has no discernible impact on stock returns, according to research by Adiwibowo (2018) and Hawari (2020), which reached a different conclusion.Jasman and Karan's research (2017) obtained different results; namely, firm size significantly negatively affected stock returns.

One of the most crucial financial decisions a manager must make is dividend policy. The impact of stock price and enterprise value on stock dividend policy is one of its fundamental characteristics. Dividends are valued differently from capital gains. Due to conditions of uncertainty, investors generally choose certain ones. Consequently, a higher payout ratio will lower returns and boost the company's value (Utami&Murwaningsari, 2017). Dividend policy can reduce the adverse effects of debt-to-equity ratios on returns, and in this case, equity returns, according to Mufidah and Sucipto's research (2020). However, dividend policy has been shown to have a moderating effect on the Debt to Equity Ratio and Current Ratio and their impact on stock prices (Sururi, Yahya, & Abubakar, 2021).Further, Mahfudz and Wijayanto's (2020) study demonstrates that dividend policy outcomes can moderate the relationship between firm size, debt-to-equity ratio, and stock returns. By demonstrating that dividend policy can moderate the impact of capital returns on stock returns, Sari et al. (2019) contribute to the existing body of literature.

II. LITERATURE REVIEW

A. Signalling Theory

The market's signal is information. Market participants first assess the information as a positive or negative signal when an announcement is made. The data in financial statements can be used to reflect financial performance. Stock prices will increase when information is a positive signal for investors (Bertuah& Sakti, 2019). Companies' inclination to divulge transaction data to third parties is explained by signalling theory.The company is asked to provide information due to the information asymmetry between the company and the outside world because it is more knowledgeable about the company and its prospects than the outside world (investors and creditors). Due to the lack of public knowledge about the business, they had to protect themselves by charging businesses low prices. By reducing information asymmetry, businesses can raise enterprise value. Signalling to the outside world is one method to lessen information asymmetry (Jogiyanto, 2016).

B. Bird in The Hand Theory

Ngoc and Cuong (2016) cite the bird-in-hand theory proposed by Lintner (1956) and Gordon (1959), which states that in a world of uncertainty and insufficient information, dividends are valued differently than retained earnings or capital gains. Shareholders favour stable current dividend payments over speculative future capital gains.As a result, investors tend to favour fixed dividends over uncertainly valued capital gains. This theory is based on two assumptions, namely (1) investors avoid risk and (2) they receive a favourable premium on dividends (Sihombing, 2018).

C. Hypothesis

The following is the research's hypothesis, which is based on research and is corroborated by earlier research:

- Current ratio has a positive effect on stock returns.
- Debt to equity Ratio has a positive effect on stock returns.
- 3)Total asset turnover has a positive effect on stock returns.
- 4)Return on the asset has a positive effect on stock returns.
- 5) Firm size has a positive effect on stock returns.
- 6) Dividend policy can moderate the effect of the current ratio on stock returns.
- 7) Dividend policy can moderate the effect of the debt-to-equity ratio on stock returns.
- 8) Dividend policy can moderate the effect of the total asset turnover on stock returns.
- 9) Dividend policy can moderate the effect of the return on the asset on stock returns.
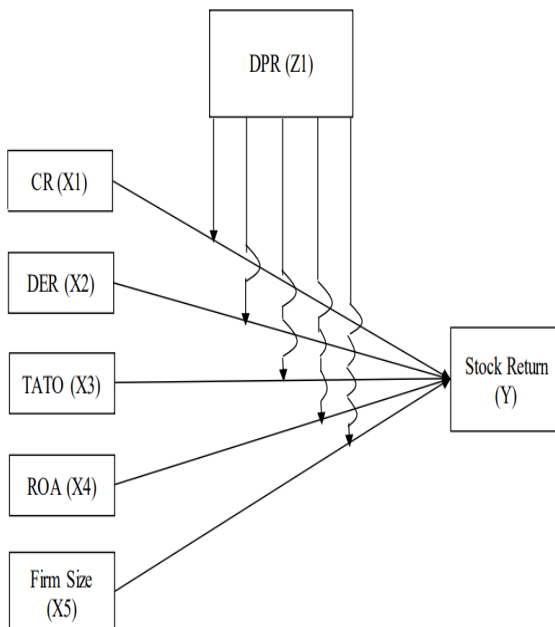- 10) Dividend policy can moderate the effect of the firm size on stock returns.

Image 2: Research Framework

III. RESEARCH METHOD

A. Population and Sample

This study belongs to the causal research category. This study employed a quantitative methodology. The research's cross-sectional annual data come from 18 companies between 2016 and 2020. (time series). This study uses data from ten of the thirty companies that make up the Jakarta Islamic Index for 2016-2020. Additionally, seven outliers were included in the extreme data, making 43 observations. The criteria for the chosen sample companies are as follows:

- Companies listed on the Jakarta Islamic Index between 2016 and 2020 did not have their listings removed during that time.
- Complete financial reports for 2016 to 2020 are made available by companies listed on the Jakarta Islamic Index.
- Between 2016 and 2020, no companies included in the Jakarta Islamic Index reported a loss.
- The Jakarta Islamic Index's listed companies consistently and reliably pay dividends.

The 10 sample companies selected are below:

No	Code	Company Name
1	ADRO	Adaro Energy Tbk.
2	AKRA	AKR Corporindo Tbk.
3	ICBP	Indofood CBP Sukses Makmur Tbk
4	INDF	Indofood Sukses Makmur Tbk.
5	KLBF	Kalbe Farma Tbk.
6	PTBA	Tambang Batubara Bukit Asam Tbk
7	TLKM	Telekomunikasi Indonesia (Persero) Tbk.
8	UNTR	United Tractors Tbk.
9	UNVR	Unilever Indonesia Tbk.
10	WIKA	Wijaya Karya (Persero) Tbk.

B. Variable Operation

The current ratio (X1), debt-to-equity ratio (X2), total asset turnover (X3), return on asset (X4), company size (X5), and the dependent variable return on equity (Y) are the independent variables in this study. The dividend payout ratio serves as the moderator (Z). The following are the measurements for each variable:

$$CR = \frac{Current\ Assets}{Current\ Liabilities}$$

$$DER = \frac{Total\ Liabilities}{Total\ Equity}$$

$$TATO = \frac{Total\ Sales}{Total\ Assets}$$

$$ROA = \frac{Net\ Profit\ After\ Tax}{Total\ Assets}$$

Firm size = Ln (Total Assets)

$$Return = \frac{Pt - P(t-1)}{P(t-1)}$$

$$DPR = \frac{Dividend\ per\ Share}{Earning\ per\ Share}$$

C. Data analysis method

In this research, we employ a method called panel data. In this research, data were analyzed using regression analysis on panels. The EViews 12 program tool was used in this analysis and testing. An analysis of the study's data is provided below, taking into account the problems that have been identified, the goals of the research, and the types of data that were gathered:

- Descriptive Statistical Analysis
- Test Panel Data Regression (Fixed Effect, Common Effect, and Random Effects)
- Selection of the Best Panel Data Regression Model through the Hausman Test, Chow Test, and Lagrange Test
- Hypothesis Testing consisting of F-Test, R2-Test, and T-Test
- Moderated Regression Analysis

IV. RESULT AND DISCUSSION

The variables included in this study are listed in the title, "Determining Stock Returns with Dividend Policy as a Moderating Variable in Companies Listed in the Jakarta Islamic Index." Independent variable (X), dependent variable (Y), and moderating variable (Z)are the three categories of variables that make up the grouping.Stock return is the dependent variable, while the total asset turnover, current ratio, Return on Assets, debt-to-equity ratio, and firm size are the independent variables in this analysis.An example of a moderator variable is dividend policy, which can either serve to increase or reduce the impact of the independent and dependent variables. The data for this analysis was provided by companies trading on the Jakarta Islamic Index of the Indonesian Stock Exchange (IDX) between 2016 and 2020.

Sample: 2016 2020

	CR	DER	TATO	ROA	SIZE	DPR	SR
Mean	1.812877	1.052432	0.924697	0.118596	31.52086	0.602222	0.043496
Median	1.512433	0.863108	0.793958	0.098885	31.45276	0.493720	0.037901
Maximum	4.657703	3.159024	2.391882	0.466601	33.14018	1.701822	0.747967
Minimum	0.605632	0.186446	0.242792	0.004733	30.35403	0.108979	-0.343220
Std. Dev.	1.069858	0.788777	0.482679	0.099435	0.881082	0.339343	0.236587

Table 1: Descriptive Statistics of Research Variables

The lowest Current Ratio (CR) for PT Unilever, Tbk, in 2016 was 0.60. PT Kalbe Farma, Tbk, had the highest (maximum) Current Ratio in 2018, with a value of 4.65. The Jakarta Islamic Index's companies had an average current ratio of 1.81 as of 2016-2020, with a median of 1.51and a standard deviation of 1.06.

The lowest (minimum) leverage ratio (DER) for the first five years of the 2016-2020 study was 0.18 in 2018 for PT Kalbe Farma, Tbk. The company with the highest debt-to-equity ratio (maximum value) throughout the 2016–2020 study period was PT Unilever, which had a Tbk of 3.15. From 2016 to 2020, the Jakarta Islamic Index has an average leverage ratio of 1.05, a median of 0.86, and a standard deviation of 0.78.

Total Asset Turnover (TATO) in 2020 had the lowest (minimum) value of 0.24 at PT Wijaya Karya, Tbk. PT Unilever, Tbk had the highest (highest) total asset turnover ratio is 2016 at 2.39. The total asset turnover ratios of the companies comprising the Jakarta Islamic Index ranged from 0.92 in 2016 to 0.79 in 2020, with an average value of 0.92, a standard deviation of 0.48, and a median value of 0.79.

PT Wijaya Karya, Tbk, has the lowest (minimum) Return on Assets for 2020, which is 0.004. PT Unilever Tbk had the highest (highest) Return on Assets in 2018 with a score of 4.46. From 2016 to 2020, the Jakarta Islamic Index companies' Return on Assets averaged 0.11, with a median of 0.09and a standard deviation of 0.09.

The company with the lowest (minimum) value for firm size in 2016 was PT Kalbe Farma, Tbk, with a value of 30.35. PT Telkom Indonesia, Tbk will have the largest (maximum) firm size in 2020 with a 33.14. The average firm size, standard deviation, and median for the Jakarta Islamic Index of companies from 2016 to 2020 are 31.52, 0.88, and 31.45, respectively.

The minimum (lowest) Dividend Payout Ratio (DPR) for PT Wijaya Karya, Tbk, in 2016 was 0.10. The highest (maximum) Dividend Payout Ratio (DPR) for PT Wijaya Karya Tbk was 1.70 that year. The median dividend payout ratio for companies in the Jakarta Islamic Index was 0.49, with a standard deviation of 0.33, as of the 2016–2020 study period. The average dividend payout ratio was 0.60.

PT Wijaya Karya, Tbk, had the lowest (minimum) stock return in 2017, -0.34. PT Bukit Asam, Tbk, had the highest (maximum) stock return in 2018 with a 0.74. The Jakarta Islamic Index companies saw an average stock return of 0.43% between 2016 and 2020, with a standard deviation of 0.23% and a median return of 0.03.

Redundant Fixed Effects Tests
Equation: EQ01
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.101469	(9,28)	0.0103
Cross-section Chi-square	29.738644	9	0.0005

Table 2: Chow Test

For those interested, the table above shows the Chow test results generated by the E-Views software, and the probability value of the F-test is <0.05 (5%), equal to 0.0103. As a result, it can be said that H1 has passed this test while H0 has failed. These results indicate that the Fixed Effect Model, as opposed to the Common Effect Model, is preferable for estimating the panel data regression in this research.

Correlated Random Effects - Hausman Test
Equation: EQ01
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	19.945095	5	0.0013

Table 3 Hausman Test

The probability value is more significant than = 0.05 (5%), equal to 0.0013, according to the results of Hausman's test using the E-Views software, which is displayed in the table above. As a result, it can be said that H1 has passed this test while H0 has failed. The results of this research indicate that the Fixed-Effects Model is preferable to the Random-Effects Model for estimating the panel data regression.

The outcomes of choosing the best panel model are displayed in Table 4 below. It was discovered that the Fixed Effects Model (FEM)was the most effective estimating model for this study.

Test	Hypothesis	Final Decision
Chow Test	Common Effect Model vs Fixed Effect Model	Fixed Effect Model
Hausman Test	Fixed Effect Model vs Random Effect Model	Fixed Effect Model
LM Test	Random Effect vs Common Effect Model	Because the Chow test and Hausman test results were based on the Fixed Effect Model, the LM test was not conducted.

Table 4: Model Selection

Sample: 2016 2020
Periods included: 5
Cross-sections included: 10
Total panel (unbalanced) observations: 43

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.44157	8.409364	1.836235	0.0770
CR	0.356460	0.156509	2.277571	0.0306
DER	0.398613	0.155442	2.564377	0.0160
TATO	-0.330070	0.450347	-0.732925	0.4697
ROA	3.905174	1.735657	2.249969	0.0325
SIZE	-0.527325	0.258844	-2.037231	0.0512

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.560094	Mean dependent var	0.043496
Adjusted R-squared	0.340142	S.D. dependent var	0.236587
S.E. of regression	0.192183	Akaike info criterion	-0.192057
Sum squared resid	1.034163	Schwarz criterion	0.422316
Log likelihood	19.12922	Hannan-Quinn criter.	0.034505
F-statistic	2.546431	Durbin-Watson stat	3.132662
Prob(F-statistic)	0.017118		

Table 5: Fix Effect Model

The results of the best model tests point to an appropriate model. The probability is 0.017118, and the calculated F-value is 2.5464. A total of 34.01% of the issue phenomenon can be accounted for by the model. The remaining 67.96% of the variance could be accounted for by variables outside the scope of the model's analysis.

The equation for panel data regression, which is based on table 5 above, is as follows:
$$Y = 15.4415 + 0.3564CR + 0.3986DER - 0.3301TATO + 3.9051ROA - 0.5273 SIZE$$

The result produced by the regression formula for panel data is as follows:
- Suppose the current ratio, return on assets, total asset turnover ratio, debt-to-asset ratio, and company size are all equal to 0. In that case, the stock return of the JII company between 2016 and 2020 will be 15.4415 times that amount.
- The current ratio is favourable for stock returns, according to the current ratio coefficient of 0.3564. The stock returns increase by 35.64% for every 1% increase in the current ratio.
- As the coefficient of determination of 0.3986 demonstrates, the DER has a positive influence on stock returns. For every percentage point that the debt-to-equity ratio rises, the stock's return increases by 39.86%.
- The total asset turnover coefficient is -0.3301, indicating that total asset turnover has a negative effect on stock returns. The stock return decreases by 0.3301 times when total asset turnover increases by 1%.
- The Return on Assets coefficient value of 3.9051 shows a favourable relationship between Return on Assets and stock returns. If the ROA increases by one percentage point, the stock's return will be 390.5%.
- Firm size negatively correlates with stock returns, as shown by the value of the firm size coefficient (-0.5273). The stock return has decreased by 0.5273 if the company size has increased by one rupiah.

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.560094	Mean dependent var	0.043496
Adjusted R-squared	0.340142	S.D. dependent var	0.236587
S.E. of regression	0.192183	Akaike info criterion	-0.192057
Sum squared resid	1.034163	Schwarz criterion	0.422316
Log likelihood	19.12922	Hannan-Quinn criter.	0.034505
F-statistic	2.546431	Durbin-Watson stat	3.132662
Prob(F-statistic)	0.017118		

Table 6: F Test

The probability is less than the significance value (0.01 ≤0.05) based on the F-test results presented above. This demonstrates that the dependent variable stock return in Jakarta Islamic Index companies for the years 2016 to 2020 is significantly influenced by the independent variables current ratio, return on asset, total asset turnover ratio, debt-to-equity ratio, and company size.

	Effects Specification	
Cross-section fixed (dummy variables)		
R-squared	0.560094	Mean dependent var	0.043496
Adjusted R-squared	0.340142	S.D. dependent var	0.236587

Table 7: Test of Determination Coefficient Value (R²)

The adjusted R-squared value is 0.340142, or 34.01%, as shown in the table above. This indicates that variables like the current ratio, return on asset, total asset turnover ratio, debt-to-equity ratio, and company size affect 34.01% of stock returns. The remaining 65.99% (1-34.01%) were impacted by variables outside the scope of this study.

Sample: 2016 2020
Periods included: 5
Cross-sections included: 10
Total panel (unbalanced) observations: 43

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.44157	8.409364	1.836235	0.0770
CR	0.356460	0.156509	2.277571	0.0306
DER	0.398613	0.155442	2.564377	0.0160
TATO	-0.330070	0.450347	-0.732925	0.4697
ROA	3.905174	1.735657	2.249969	0.0325
SIZE	-0.527325	0.258844	-2.037231	0.0512

Table 8 First Hypothesis (T-Test)

The results of the t-hypothesis test above were as follows:

- The regression coefficient is 0.3564, and the current ratio (CR) sample value is 0.0306. Stock returns are positively influenced by the independent variable Current Ratio (CR), but this effect is less than 5% significant (0.0306 ≤0.05).
- There is a 0.3986 regression coefficient and a 0.0160 probability of a debt-to-equity (DER) ratio. With a significance level of less than 5% (0.0160 ≤0.05), the debt-to-equity ratio (DER) independent variable has a positive effect on stock returns.
- The correlation between Total Asset Turnover (TATO) and probabilities is -0.3300 and 0.4697, respectively. When considering only the total asset turnover (TATO) component of the independent variable, the significance is greater than 5% (0.4697 ≥0.05), indicating that TATO does not affect stock returns.
- The return on assets (ROA) probability is 0.0325%, and the regression coefficient is 3.9051. Return on assets (ROA) is a positive independent variable that has a less than 5% significant impact on stock returns (0.0325 ≤0.05).
- The regression coefficient is equal to -0.5273, and the probability for company size is equal to 0.0512. Greater than 5% significance (0.05 ≤0.05) indicates a partially negative relationship between the independent variable company size and stock returns.

MRA	Variable	Coefficient	Std. Error	t-statistic	Prob
Stage 1	C	0,6237	0,3324	1,8765	0,0700
	CR	0,3787	0,1649	2,2965	0,0286
	DPR	0,0319	0,1317	0,2427	0,8098
	Adj R-Squared	0,1534			
Stage 2	C	1,1042	0,3841	2,8747	0,0074
	CR	0,7079	0,2173	3,2573	0,0028
	DPR	0,7727	0,3906	1,9770	0,0572
	CR_DPR	0,6125	0,2818	2,1729	0,0378
	Adj R-Squared	0,2441			
Stage 1	C	0,1252	0,0787	1,5907	0,1195
	DER	-0,0781	0,0485	-1,6108	0,1151
	DPR	0,0007	0,1127	0,0069	0,9945
	Adj R-Squared	0,0210			
Stage 2	C	0,5211	0,2435	2,1400	0,0406
	DER	-0,2837	0,1983	-1,4307	0,1628
	DPR	-0,6113	0,2999	-2,0380	0,0504
	DER_DPR	0,2627	0,1356	1,9367	0,0622
	Adj R-Squared	0,0904			
Stage 1	C	-0,3782	0,2948	-1,2827	0,2091
	TATO	0,4917	0,2810	1,7497	0,0901
	DPR	-0,0547	0,1352	-0,4048	0,6883
	Adj R-Squared	0,0984			
Stage 2	C	-0,3984	0,3091	-1,2887	0,2073
	TATO	0,5387	0,3371	1,5978	0,1206
	DPR	-0,0078	0,2256	-0,0348	0,9724
	TATO_DPR	-0,0874	0,3337	-0,2619	0,7951
	Adj R-Squared	0,0704			
Stage 1	C	-0,2898	0,2696	-1,0749	0,2907
	ROA	2,7246	1,7172	1,5866	0,0227
	DPR	0,0169	0,1568	0,1082	0,7145
	Adj R-Squared	0,0837			
Stage 2	C	-0,3424	0,3180	-1,0766	0,2902
	ROA	2,6710	1,7504	1,5259	0,0375
	DPR	0,5390	1,1675	1,0003	0,0397
	ROA_DPR	0,8454	2,6067	0,3243	0,0479
	Adj R-Squared	0,1565			
Stage 1	C	10,7392	4,6259	2,3215	0,0270
	SIZE	-0,3381	0,1472	-2,2969	0,0285
	DPR	-0,0630	0,1284	-0,4908	0,627
	Adj R-Squared	0,1534			
Stage 2	C	11,2591	5,4614	2,0615	0,0480
	SIZE	-0,3545	0,1735	-2,0430	0,0499
	DPR	-1,4086	7,2010	-0,1956	0,8462
	SIZE_DPR	0,0426	0,2280	0,1868	0,853
	Adj R-Squared	0,1262			

Table 9: Second Hypothesis (Moderated Regression Analysis)

The following are the outcomes of the hypothesis test using MRA:

- Stock returns as a current ratio (CR) function, with dividend payout ratio as a moderating variable. An interaction effect of CR*DPR (MRA1) on stock returns (Y) was found to be statistically significant (≤ 0.05), confirming the effect of DPR (Z) on stock returns (Y) in the first output. Due to the impact of CR*DPR (MRA1) on stock returns, the dividend policy represented by the payout ratio merely serves as a moderator (Y). The Adjusted Chi-Square for the initial model estimate is 15.34%. The second model estimates a 24.41% increase in the correlation between current ratios and stock returns.
- What role dividend policy plays in reducing the negative effect of the debt-to-equity ratio (DER) on stock returns.There were no statistically significant findings (≤ 0.05) for the effects of DPR (Z) on stock returns (Y) in the first output or the interaction variable DER*DPR (MRA2) on stock returns (Y). Therefore, the dividend

payout ratio as a proxy for the dividend policy is not a valid mediating variable. A company's dividend policy has no bearing on the correlation between the debt-to-equity ratio and stock returns.

- The moderating role of dividend policy in the relationship between TATO and stock returns. The influence of DPR (Z) on stock returns (Y) at the first output and the impact of the interaction variable TATO*DPR (MRA3) on stock returns (Y) at the second output obtained none of the significant results (≤ 0.05). Therefore, the dividend payout ratio's proxy for policy dividends does not merit a moderating factor. The dividend policy unaffected the correlation between asset turnover and stock returns.

- Moderating role of dividend policy in the relationship between ROA and stock returns. There was a significant result (≤ 0.05) on the interaction variable ROA*DPR (MRA4) between DPR (Z) and stock returns (Y) in the first output and between DPR (Z) and stock returns (Y) in the second output. ROA*DPR (MRA4) on stock returns (Y) so that the dividend policy proxied by the dividend payout ratio is a pure moderator. The adjusted Chi-Square value in the first model estimate is 8.37%. In contrast, the second model estimate, 15.65%, shows that dividend policy improves the link between return on assets and stock returns.

- Moderating the effect of firm size on stock returns through dividend policy. No significant statistical results (≤ 0.05) were found for either the direct effect of the DPR (Z) on stock returns (Y) at the first output or the effect of the interaction variable SIZE*DPR (MRA5) on stock returns (Y).Therefore, the dividend payout ratio's proxy for policy dividends does not merit being a moderating variable. It is unrelated to dividend policy whether the association between firm size and stock returns is strengthened or weakened.

V. DISCUSSION OF RESEARCH RESULTS

A. Effect of Current Ratio on Stock Return

According to this study's data analysis and hypothesis testing, the current ratio positively affects stock returns. Companies included in the Jakarta Islamic Index for 2016 through 2020 can be liquid if they have more current assets than current liabilities, enabling them to pay down their debts promptly and having a significant positive effect.As a result, sharia-compliant investors are drawn to investing in shares of JII because they believe the company's ability to pay off its short-term debts is entirely reasonable and will boost stock returns.Given that a higher CR correlates with higher stock returns, it can signal investors to put money into JII companies. The results of this study show that an increase in the current ratio is associated with a rise in stock returns (positive regression coefficient).Supporting the assumption that the current ratio has a significant positive impact on stock returns, where stock returns are profits from selling investor shares, are studies by Istiqomah and Mardiana (2020) and Siahaan, Sadalia, and Silalahi (2021), as well as the results of the present study.Contrary to the findings of studies on the impact of the current ratio on stock returns conducted by Mufidah and Sucipto (2020), Santosa (2019), and research by Rasyad, Iskandar, and Aziz (2020), which claimed that there was a significant negative

impact between the current ratio on stock returns, is the finding of Rasyad, Iskandar, and Aziz's study. In addition, contrary to the findings of Sururi, Yahya, and Abubakar (2021) and Silaban (2021), we found no correlation between the current ratio and stock returns.

B. Effect of Debt to Equity Ratio on Stock Return

Companies listed on the Jakarta Islamic Index are very concerned about the composition of working capital, where there is a debt ratio that cannot exceed the limit determined by the Sharia Supervisory Board. The existence of a significant favourable influence on the debt-to-equity ratio on stock returns demonstrates that debt used in companies listed on the Jakarta Islamic Index reaches an ideal and fruitful point in using capital sourced from debt.So investors who maintain sharia principles feel safe investing in the shares of JII company considering the optimal debt ratio.In this study, a positive regression coefficient indicates that the stock return will increase if the DER has increased.Santosa concurs with the conclusions reached in this study (2019), Silaban (2021), and Abdullah, Muda, and Syahyunan (2018) that DER has a sizable positive impact on stock returns. As opposed to the findings of research by Adiwibowo (2018) on the impact of DER on stock returns, studies by Milenianingsih and Mulyana (2021) and Istiqomah and Mardiana (2020) show a significant negative relationship between debt-to-equity ratio and return on share. In addition, contrary to research conducted by Hawari and Putri (2020), Mufidah and Sucipto (2020) and research by Hapsoro and Syahriar (2021), which obtained the results that there was no significant effect between DER on stock returns.

C. Effect of Total Asset Turnover on Stock Return

The quicker a business can turn over its total assets, the sooner it can collect cash. However, stock returns are unaffected by total asset turnover because any money raised goes straight to creditors. A turnover of total assets that is high is indicative of good management.However, the company's outdated and depleted assets can also contribute to a high total asset turnover, making this high turnover a result of the company's circumstances. There are potential problems when interpreting fixed asset turnover ratios. Fixed assets are presented on the balance sheet at their historical cost, then deducted by depreciation. Inflation causes many of the past assets' values to be grossly understated. Since the value of the company's assets used to support sales activities fluctuates over time, it can be concluded that the activity ratio, as measured by the total assets turnover ratio (TATO), has no meaningful effect on the stock returns of companies listed on JII. A high activity ratio can be caused by assets owned by the company for a long time, getting older, and experiencing depreciation. As a result, even though the activity ratio's value is rising, this does not necessarily indicate rising stock returns. Sururi, Yahya, and Abubakar (2021) and Milenianingsih and Mulyana (2021) found that TATO has no appreciable impact on stock returns, supporting this findings study. This differs from the research by Santosa (2019) on the impact of TATO on stock returns and Siahaan, Sadalia, and Silalahi's (2021) research, which both demonstrate a significant positive impact of TATO on stock returns.

D. Effect of Return on Asset on Stock Return

In order to ensure the continued viability of their portfolios, investors should prioritize increasing the return on their assets, especially those made over more extended periods. In this case, investors pay attention to the value of ROA in their decision-making in investing in companies listed in JII. Using assets owned by the JII company is quite productive in generating optimal profits. The findings of this study are corroborated by the research of Utami and Murwaningsari (2017), Istiqomah and Mardiana (2020), and Sihombing, Nasution, and Nainggolan (2018), all of whom found that ROA has a statistically significant positive effect on stock returns. Milenianingsih and Mulyana (2021) and Sari et al. (2019) found no statistically significant correlation between ROA and stock returns in their research.

E. Effect of Firm Size on Stock Return

The company has more assets to produce profits, and the bigger the company is.However, it is challenging for the firm to experience an increase in stock prices due to the stock price being overvalued, which impacts increasing the firm's stock returns.However, a drop in stock prices resulting in stock returns is simple because selling shares is required to make short-term gains when considering the stock's fair price and the historical stock price movements graph. Investors more respect large firms because they are resistant to crises and have certainty in obtaining profits, so large firms will find it easier to obtain loans than small firms. Nevertheless, on the other hand, a large firm'ssize takes a long time to obtain capital gains because investors consider the profits obtained as soon as possible when they reach the desired selling price.However, the findings of Hawari and Putri (2020) and Adiwibowo (2018), which found that firm size has no significant effect on stock returns, contradict the results of this study. This study's findings are at odds with those of Sururi, Yahya, and Abubakar (2021) and Mahfudz and Wijayanto (2020), who discovered a positive correlation between company size and stock returns.However, the findings of this study align with those of Jasman and Kasran (2017), who discovered that firm size significantly lowers stock returns.

F. Dividend Policy Moderates Effect of Current Ratio on Stock Return

Investors can use the dividend policy when choosing their investment strategy. Investors can see the company's ability to control the percentage of profits it generates thanks to this dividend policy. With a high power ratio, the company can distribute dividends to shareholders. As a result of this circumstance, investors decide to make significant investments, driving up stock prices and yields. According to the "bird in the hand" theory, investors place a higher value on dividends than on potential capital gains in the future. Because cash dividends received today are more specific than capital gains that will be received in the future. This study is connected to those conducted by Mufidah and Sucipto in 2020 and Sururi, Yahya, and Abubakar (2021).

G. Dividend Policy Moderates the Effect of Debt to Equity Ratio on Stock Return

The payout ratio, which can go up or down, reflects the company's earnings, which are distributed to investors so that they can continue to own shares of the companies listed on the JII. However, due to the behaviour of the majority of investors analyzing stock prices based on their fair value and historical price movements to get faster returns. This causes the dividend policy to strengthen neither nor weaken the DER's effect on stock returns. This study corroborates Adiwibowo (2018) and Hawari and Putri (2020), who found that dividend policy does not reduce the impact of debt-to-equity ratios on stock returns. If the debt-to-equity ratio is already high, the dividend policy will not improve stock returns, and if it is already low, it will not hurt them, either. In contrast to the research conducted by Mufidah and Sucipto (2020), Sururi et al. (2021) and research conducted by Mahfudz and Wijayanto (2020),these studies found that dividend policy can reduce the impact of the DER on stock returns.

H. Dividend Policy Moderates Effect of Total Asset Turnover on Stock Return

Firms, in practice, need to establish a balanced dividend policy to meet the welfare of investors and the company. Firms listed in JII have historically unstable asset values to support increased sales due to unexpected needs for other assets and maximizing assets that have existed for a long time. The determination of dividend policy is not significantly influenced by asset turnover. A dividend policy cannot, therefore, increase stock returns. Sururi, Yahya, and Abubakar (2021), who discovered that dividend policy could be mitigated by increasing the impact of total asset turnover on stock returns, disagree with the findings of this study.

I. Dividend Policy Moderates Effect of Return on Assets on Stock Return

Reducing the impact of asset return on stock return is the dividend payout ratio, which determines the dividend policy. During times of high returns on capital, dividend policies can boost stock returns, while during times of low returns on capital, they can reduce stock returns. As investments become more durable and receive regular cash dividends compared to less profitable companies, which aligns with the bird in hand theory, improving profitability is a crucial consideration for equity investors.Stocks become a savings asset that entices investors to invest as profitability rises. Moreover, higher profits inevitably result in higher dividend payments to shareholders. These factors account for the continuing rise in stock prices and returns. Because of this dividend policy, the investor can see that the company has some say over the amount of profit it keeps for itself. The company can distribute dividends to shareholders thanks to its high Return on Assets.Utami and Murwaningsari (2017) and Sari et al. (2019), who demonstrate that dividend policy can magnify the impact of returns on capital, provided support for this study. Contrary to Sururi et al. findings .'s (2021), dividend policy cannot lessen the effect of asset returns on stock returns.

J. Dividend Policy Moderates Effect of Firm Size on Stock Return

In order to protect both the interests of investors and the company, companies need to establish a balanced dividend policy.Firm size in firms listed in JII based on total assets owned tends to be unstable due to unexpected needs for other assets, maximizing assets that have existed for a long time and selling assets to increase profits to maintain consistent dividend payments amidst conditions unstable economy causes the dividend policy itself is not able to moderate the effect of firm size on stock returns. Studies by Adiwibowo (2018), Hawari and Putri (2020), and Sururi et al. (2021) provide support for this research. Finding that dividend policy did not reduce the effect of firm size on stock returns, they concluded that the latter could not be controlled for. Contrary to what was discovered by Mahfudz and Wijayanto's research (2020), which indicated that a larger company could increase the impact of its size on stock returns.

CONCLUSIONS AND SUGGESTIONS

Conclusions drawn from the analysis and discussion are as follows:

- Stock returns of companies included in the Jakarta Islamic Index are positively and significantly impacted by the current ratio from 2016 to 2020.
- The stock returns of companies included in the Jakarta Islamic Index were positively affected by the debt-to-equity ratio from 2016 to 2020.
- The stock returns of companies included in the Jakarta Islamic Index stayed the same noticeably from 2016 to 2020 due to total asset turnover.
- From 2016 to 2020, the return on assets had a favourable and significant impact on the stock returns of companies listed on the Jakarta Islamic Index.
- Between 2016 and 2020, firm size had a highly negative effect on the stock returns of companies included in the Jakarta Islamic Index.
- The dividend policy of Jakarta Islamic Index companies acted as a pure moderator between 2016 and 2020, boosting the effect of the current ratio on stock returns.
- For 2016 to 2020, companies listed on the Jakarta Islamic Index's stock returns are affected by debt-to-equity ratios in a homogenized manner or not at all.
- From 2016 to 2020, dividend policy acted as a homogenized moderator or could not moderate the impact of total asset turnover on stock returns in companies listed on the Jakarta Islamic Index.
- Dividend policy served as a pure moderator from 2016 to 2020, boosting the impact of return on assets on stock returns among Jakarta Islamic Companies listed.
- The effect of company size on stock returns in companies listed on the Jakarta Islamic Index for the years 2016 to 2020 is homogenized or not by dividend policy.

Some suggestions related to the results of this research, namely:

- For the firm, the optimal debt-to-equity ratio must be increased, along with an effective and efficient working capital allocation, if the company wants to make efforts to raise stock prices, which affects raising stock returns.Maintaining an ideal debt ratio is a positive value in the Islamic capital market, given that JII has a standard debt ratio that should not exceed the cap established by the National Sharia Board. The current ratio is another important factor. If the firmwants to increase stock prices that impact stock returns, it needs to increase the current ratio to maintain its ability to pay off its short-term obligations. In addition, firms still need to pay attention to the composition of their current assets so that there is not too much-unused cash and bad debts, as well as the composition of current liabilities by determining the priority scale of current liabilities that must be paid. Additionally, return on assets is a significant factor because the company must raise its return on invested assets if it wants to work to raise stock prices, which affect stock returns. A good firm is a firm that can increase profits on an ongoing basis by maximizing the number of assets owned. A company's size is a crucial consideration because although it may be challenging for the stock price of a large company to rise, it is simple for it to fall, resulting in lower stock returns. Especially in anomalous conditions where Covid-19 occurs, companies need to maintain the company's internal stability.
- For investors, based on the study's findings, the debt-to-equity ratio, current ratio, and return on assets are three variables that significantly impact stock returns. The independent variable can explain how much of an impact it has on the dependent variable, which has a value of 34.01%.So that in addition to paying attention to these variables, investors need to consider and analyze other aspects of fundamental factors as well as market psychology and technical analysis of stock returns. Future growth for the Jakarta Islamic Index looks promising thanks to the solid financial footing the company has maintained, as evidenced by its debt ratio and the dividend policy instituted to reassure investors that the companies included in the index are solvent and not going under. Those concerned with adhering to sharia law should invest in the JII. Companies in the JII regularly distribute cash dividends to shareholders and maintain a healthy debt-to-equity ratio. When the dividend policy is considered, the current ratio and return on assets have a more amplified effect on stock returns. One must give careful thought to the dividend policy before investing.
- For further researchers,Further research can be extended to specific sectors or other indices so that later the results can be compared. Further research needs to be analyzed not only fundamentally but with technical analysis of stock returns to provide an overview of the proportion of investments that can minimize risk by combining various company sectors from the Jakarta Islamic Index.

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