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*Research Article*

# The Affect of Firm Size, Debt Policy, Profitability on Stock Returns: Moderating Role Dividend Policy

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## Abstract
This research aims to examine the influence of Firm Size, Debt Policy and Profitability on Stock Returns with Dividend Policy as a moderating variable in non-financial Firms included in the LQ45 stock index on the Indonesia Stock Exchange (BEI) for the 2017-2022 period. The sampling technique in this research is the purposive sampling technique. This research uses secondary data, namely the firm's annual financial report (annual report) obtained from the official website of the Indonesian Stock Exchange (IDX). The analytical method used is multiple linear regression techniques and moderated regression analysis (MRA) with testing using the SPSS version 29.0 application. The research results show that Firm size has a positive and significant effect on stock returns. Debt policy and profitability have a negative and insignificant effect on stock returns. Dividend policy can moderate Firm size on stock returns. However, dividend policy does not moderate debt policy and profitability on stock returns; however, dividend policy can moderate the influence of Firm size, debt policy, and profitability simultaneously on stock returns. The managerial implications of this research show that Firm size, debt policy, and profitability have a significant influence on stock returns, while dividend policy can moderate this relationship.

Keywords: Dividend Policy, Firm Size, Profitability, Stock Returns, Firm Size

JEL Classification: G32, G35, L25

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## 1. Introduction
In order to address this issue, the government has also created policies that help business owners find it easier to conduct their operations (Utami & Murwaningsari, 2017). Therefore, the large number of companies registered on the Indonesian Stock Exchange (BEI) at the moment is not unusual. Obtaining money from the public to enhance the company's performance is one of the objectives of a company listing its shares on the IDX (Wiyono & Ramlani, 2020).

The capital market is a means of funding for Firms and other institutions (for example, the government) and as a means for investment activities (May 2021). One of the capital market instruments most popular with investors is shares. Stock investments provide quite high returns in the long term. Return is something that is expected to be obtained or anticipated cash flow from each investment made (Santosa et al., 2020). Shares are proof of a person or entity's ownership of a Firm. The goal of investors investing in a firm is to obtain a return. If investors buy many shares, which causes demand for these shares to increase, then the shares purchased will have returns that tend to increase (Serolin, 2023)(Dewi et al., 2022).

Stock returns are the gains made by businesses, people, and organizations as a result of their investing strategies (Irham, 2019). Dividends or capital gains may be the form of the share return. The difference between the selling price of shares at the start of the period and the purchase price at the end of the period is known as the capital gain, and it is the profit that investors receive. The stock return is affected by a number of factors, including as business size, debt policy, profitability, and dividend policy (Ahlannisa et al., 2024). The choice of whether a company's earnings will be paid out as dividends to shareholders or kept in the form of retained earnings to fund further expenditures is known as the dividend policy. The amount of dividends that will be paid will affect the share price or the welfare of shareholders, so it will affect the value of shares in the future (Riawan, 2017).

Firm size describes the size of a firm as indicated by total assets, number of sales, average sales level, and average total assets (Risma & Regi, 2017). In this research, Firm size is measured using total assets. The larger the firm’s size, the better the growth for the firm. Therefore, the returns generated by large Firms are greater than those of small Firms. Investors will also speculate about choosing large firms in the expect of getting large returns. This is in line with research conducted by Rizal & Ana (2019), Suryani Ulan Dewi & Sudiartha (2019), Lesmana et al. (2021), and Siagian et al. (2021) state that Firm size has a positive and significant effect on stock returns. This is contrary to research conducted by Raningsih and Putra (2019), which states that Firm size has a negative and insignificant effect on stock returns.

The company's debt policy will be the next metric utilized to gauge growth and drops in stock returns. According to Kasmir (2019), debt policy is a tool used to gauge how much of a company's operations are funded by debt. According to earlier studies by Cahyani (2019), Purwitajati & Putra (2017), Rochman & Poernomo (2017), and Anjani (2019), debt policy significantly and favorably affects stock returns. This study, however, runs counter to those of Rahmah and Mintarti (2021), who found that debt policy had a negligible and adverse impact on stock returns.

One of the elements influencing stock returns is profitability. According to Sihombing and Priambhodo (2024), profitability is a ratio used to evaluate a company's capacity to generate profits or returns over a specific time frame (Kasmir, 2019). An investor's projected return increases with the firm's profit or profit generation. Research by Oroh et al. (2019), Parwati & Sudiartha (2017), Suryani Ulan Dewi & Sudiartha (2019), and Wulandari et al. (2021) supports this finding, demonstrating that profitability significantly and favorably affects stock returns. This contrasts with study by Nurdiana (2020), which indicates that stock returns are negatively and negligibly impacted by profitability.

This study uses dividend policy as a moderating variable to investigate how firm size, debt policy, and profitability affect stock returns. The primary issue that needs to be emphasized is the necessity for additional study findings about the relationship between debt policy and profitability and stock returns, as well as the function of dividend policy in enhancing or diminishing this relationship. While some research demonstrate negative or negligible impacts, others show large favorable benefits. A more comprehensive strategy and more recent data are required to close the research gap created by this finding.

By offering fresh empirical data on the connections between business size, debt policy, profitability, and stock returns-as well as the function of dividend policy as a moderating factor-this study adds to the body of knowledge in the financial literature (Cahyani, 2019). Wulandari & Khabibah (2021) concentrate on non-financial companies that were part of the LQ45 index between 2017 and 2022. This study offers investors and business managers useful information for creating the best financial plans and comprehending the variables affecting stock returns in the Indonesian capital market.

## 2. Literature Review and Hypothesis

### Literature Review

**Stakeholders Theory**

The backing of a company's stakeholders is crucial to its success. Businesses are expected to be able to focus on all stakeholders, not just shareholders, given how quickly company is developing these days. Additionally, it is believed that this will sustain the firm's business continuity and yield economic benefits (Sihombing et al., 2024). The Stakeholders Theory was discovered by Freeman. Individuals, communities, or groups with an interest in a company or organization are known as stakeholders. Since stakeholder support is assumed to be necessary for a firm to operate, firm operations also take stakeholder approval into account. As a result, businesses must benefit all of its stakeholders, including shareholders, customers, suppliers, society, creditors, and the government, in addition to their own interests.

This study uses dividend policy as a moderating variable to investigate how firm size, debt policy, and profitability affect stock returns. The primary issue that needs to be emphasized is the necessity for additional study findings about the relationship between debt policy and profitability and stock returns, as well as the function of dividend policy in enhancing or diminishing this relationship. While some research demonstrate negative or negligible impacts, others show large favorable benefits. A more comprehensive strategy and more recent data are required to close the research gap created by this finding.

**LQ45**

In this era, capital markets are not a taboo term in society, especially among millennials. The capital market is a market where long-term funds, both debt and own capital, are traded (Agus & Martono, 2019). The capital market itself can be interpreted as activities related to the public offering and trading of securities of a firm. The capital market also has a big role in the economy in Indonesia because it is alternative funding for firm so that it can operate on a wider scale and will ultimately increase firm income and the prosperity of the wider community (Karima & Ghazali, 2023)(Batubara, 2022). In the capital market, some main players are directly involved in the transaction process consisting of issuers, investors, underwriters, sales agents, and brokers. Apart from that, in the capital market, there are also investment instruments consisting of mutual funds, bonds, exchange-traded funds (ETF), derivatives, and shares. One of the popular investment instruments in the capital market is shares. Shares are proof of our ownership of a firm (May, 2021). Shares can be interpreted as a sign of a person's or business entity's capital investment in a Firm, which is traded through the Indonesian Stock Exchange (BEI) as a facilitator of securities trading in Indonesia.

**Stock Returns**

Stock return is the rate of return on shares with expectations for the investment made (Krismandari & Amanah, 2021). Stock returns are the reward that investors receive for their courage in bearing every risk from the investment they make. The greater the level of change in share prices, the greater the share returns obtained (Apriyani et al., 2021). As a result, investors want to be able to estimate the return on their investment by knowing how much it will cost. Dividends or capital gains may be the form of the share return (Krismandari & Amanah, 2021). The difference between the share price at the start of the period and the price at the conclusion of the period is known as the capital gain or loss. The investor will profit from a capital gain if the share price at the conclusion of the period is greater than it was at the start. On the other hand, the investor will suffer a capital loss if the opposite occurs. Additionally, dividends are payments made to shareholders from a company's profits (Setyanto et al., 2024).

**Firm Size**

Firm size, also known as firm size, is a measure that is able to describe the scale of the firm based on several methods, including total assets, log size, share price on the stock market, and so on (Subing, 2017). Where later, a firm can be classified into 3 categories, namely large firms (large firms), medium Firms (medium firms), and small firms (small firms A firm's ability to withstand risks that may arise from different situations it faces in its operational activities can be seen by looking at its big or small picture. This is demonstrated by the firm's total assets, number of sales, average sales level, and average total assets (Santosa, 2019) (Gaib et al., 2022). A firm's size increases in proportion to its overall assets. Businesses with substantial total assets are generally more stable and capable of making more profits than those with little or low total assets, claim Suryani and Sudiartha (2019). The size of a large Firm will be considered as an indicator that describes the level of risk for investors to invest in the Firm.

**Debt Policy**

A company's debt policy is its strategy for investing in or repaying its current assets (Rahmah & Mintarti, 2021). Since debt policy is a component of the company's financial policy, it is also a crucial decision. The firm's ability to survive and grow is significantly impacted by the availability of funding or capital sources. Both internal and external financing sources are available for this purpose. One can acquire external financial sources by issuing shares on the capital market or taking out a loan. Murni et al. (2018) and Santosa (2020a) state that a company with an ideal debt ratio performs very well from the perspective of its creditors. If creditors have made it possible for the firm to receive an optimal amount of debt, investors in the capital market will respond positively so that stock returns will increase.

**Profitability**

Profitability is one of the indicators used to measure management's success in managing the Firm (Subing, 2017), which shows the firm's ability to generate profits. Information about the profit or profits of a Firm is important because investors use it in making predictions about the firm's future profits to gain better profits (Santosa, 2020b)(Prasetyaningrum, 2018). Suppose the profits generated by a Firm increase. In that case, it will have a positive impact on stock returns, which will increase investors' interest in investing in the firm because an increase in profitability will show that there are good prospects for a Firm in the future. Return on Equity (ROE) is a proxy for the profitability variable, which shows the return available to firm owners for the capital invested in the firm (Pratiwi & Mertha, 2017).

**Dividend Policy**

A dividend policy is one that deals with how much profit is kept for the firm's benefit and how dividends are paid out by the company (Utami & Murwaningsari, 2017). The most crucial choice a manager must make is dividend policy. If the company decides to pay out dividends, it will cut down on retained earnings and internal funding sources because investors put their money into the capital market with the expectation of receiving rewards in the form of dividends or capital gains (Alfianita & Santosa, 2022). The Dividend Payout Ratio (DPR) is the standard by which dividend policy is evaluated. According to Prasetyaningrum (2018) Dividend Payout Ratio (DPR) is a ratio that shows the portion of earnings (income) paid as dividends to investors.

**Hypothesis**

**The Effect of Firm Size on Stock Returns**

Firm size is a scale or value where firms can be classified as large or small based on total assets, log size, and share value (Adiwibowo, 2018). The rate of return on shares in large Firms is greater than the share returns generated by small Firms (Sudarsono & Sudiyatno, 2019). Therefore, investors will prefer to invest in large Firms in the hope of obtaining greater profits

(returns). A Firm that has a large number of total assets means the firm has reached the maturity stage because, at that stage, the cash flow is positive and is considered to have good prospects in the relatively long term (Setiyono & Amanah, 2018). Therefore, the larger the size of a Firm, the greater the return that investors will get. This is in accordance with the results of research by Rizal & Ana (2019), Suryani & Sudiartha (2019), Lesmana et al. (2021), and Siagian et al. (2021), which states that Firm size has a positive effect on stock returns. However, on the other hand, different results were shown by Raningsih & Putra (2019) who stated that Firm size had a negative effect on stock returns. Based on theoretical studies and previous research, the following hypothesis can be formulated:
**H1: Firm size has a positive effect on stock returns.**

**The Effect of Debt Policy on Stock Returns**
A Firm that has an optimal proportion of debt in its capital structure, meaning that it is not too large or too small compared to equity, indicates that the firm has good performance from the creditor's perspective (Murni et al., 2018). What is meant by good performance is a Firm that can pay off debts on time. Shares of Firms that are in demand can increase demand for their shares, which in the future will increase the share returns obtained by investors (Rahmah & Mintarti, 2021). In this research, to measure the effect of debt policy on stock returns, the Debt Equity Ratio (DER) is used. Measuring debt policy using the debt-to-equity ratio can influence stock returns (Cahyani, 2019). The firm must prioritize paying the firm's debts to creditors, then the difference is distributed to shareholders. This research is in line with research conducted by Cahyani (2019), Rochman & Poernomo (2017), Purwitajati & Putra (2017), and Anjani (2019), which states that debt policy variables have a positive effect on stock returns. On the other hand, different results were shown by Rahmah and Mintarti (2021), who stated that the debt policy variable had a negative effect on stock returns. Based on theoretical studies and previous research, the following hypothesis can be formulated:
**H2: Debt Policy has a positive effect on Stock Returns.**

**The Effect of Profitability on Stock Returns**
Profitability is used to find out how far a firm can generate profits or as a measure of the effectiveness of firm management (Suryani & Sudiartha, 2019). This finding means that the more effective management is in managing the firm, the greater the profit or profit the firm will obtain. The higher the profit generated, the higher the level of return or share return obtained by shareholders (Sepri et al., 2020). ROE measures the firm's ability to obtain profits available to the firm's shareholders (Utami & Murwaningsari, 2017). The higher the ROE value of a Firm, the more efficient the firm is in using its capital to generate profits for the firm. This research is in line with research conducted by Oroh et al. (2019), Parwati & Sudiartha (2017), Suryani & Sudiartha (2019), and Wulandari et al. (2021), which states that the profitability variable has a positive effect on stock returns. These results are not in line with research conducted by Nurdiana (2020), which states that profitability has a negative effect on stock returns. Based on theoretical studies and previous research, the following hypothesis can be formulated:
**H3: Profitability has a positive effect on stock returns.**

**The Effect of Dividend Policy in Moderating the Effect of Debt Policy on Stock Returns**
As a moderating element, dividend policy can both increase and decrease the impact of debt policy on stock returns (Krismandari & Amanah, 2021). Investors will react favorably when a company is able to make timely loan payments. Nonetheless, the company must prioritize paying its creditors if it is behind on payments, and any remaining funds would be given to shareholders (Cahyani, 2019). The amount of stock returns that investors receive in the form of dividends or capital gains declines as a result of this reasoning. According to research by Adiwibowo (2018), dividend policy can mitigate the impact of debt policy on stock returns. This study supports that finding. However, different results are shown by research conducted by Saselah and Prasetyanta (2020), which states that dividend policy cannot moderate the influence of debt policy on stock returns. Based on theoretical studies and previous research, the following

hypothesis can be formulated:
**H5: Dividend Policy Moderates the Effect of Debt Policy on Stock Returns.**

**The Effect of Dividend Policy in Moderating the Effect of Profitability on Stock Returns**
Dividend policy is a variable that can either improve or weaken the relationship between ROE and stock returns, making it a useful tool for identifying other factors that impact this relationship. As a result, investors evaluate a company's dividend policy as a foundation for evaluating whether or not it has a positive reputation and appears to be successful. Therefore, the more dividends paid to shareholders, the more money the company makes. Investors would therefore be eager to engage in share buying and selling activities, which will result in high share returns for investors (Utami & Murwaningsari, 2017). This result is in line with research conducted by Nurhaeni et al. (2021), which states that dividend policy can moderate the influence of profitability on stock returns. However, different results are shown by research conducted by Wiyono & Ramlani (2020) which states that dividend policy cannot moderate the effect of profitability on stock returns. Based on theoretical studies and previous research, the following hypothesis can be formulated:
**H6: Dividend Policy Moderates the Effect of Profitability on Stock Returns.**

**Conceptual Framework**
The variables selected for the research title are based on information gathered from earlier studies. This study included a number of variables, including independent, dependent, and moderating variables. Firm size, debt policy, and profitability are the independent factors. Dividend policy is the moderating variable in this study, whereas stock returns are the dependent variable. Figure 1 lists the study conceptual framework that follows in light of this explanation.

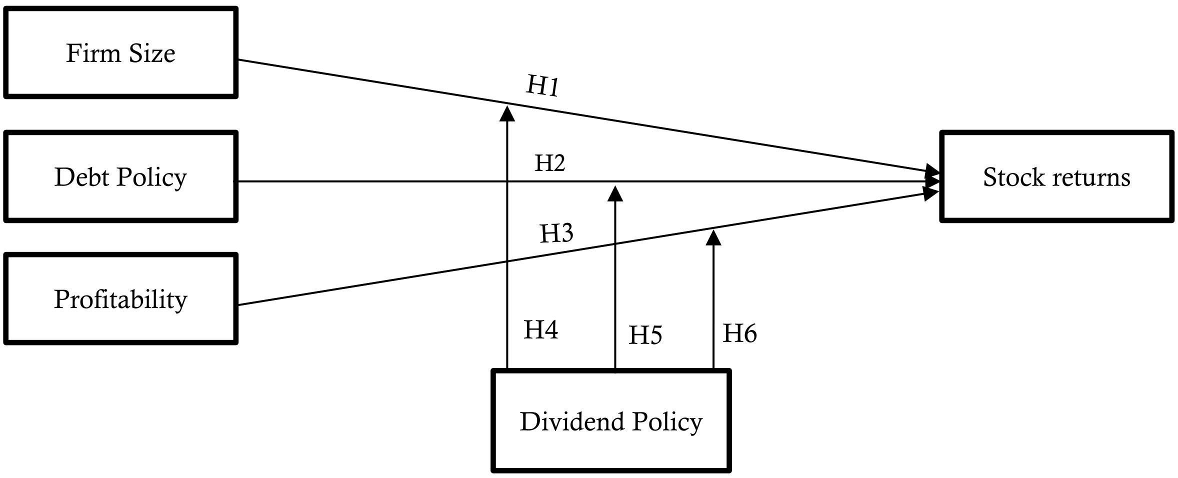


**Figure 1. Conceptual framework**

## 3. Data and Method

**Types of research**
The research method used is quantitative causality research, which is conducted to test the influence of one variable on another. According to Sugiyono (2018), a causal relationship is a cause-and-effect relationship.

**Data Type**
The type of data used in this research is quantitative data. Quantitative data is data that can be measured, given a numerical value, and calculated (Latifatunnisa, 2022). The quantitative data used in this research are annual financial reports and performance summaries that meet the sample criteria and publish their complete annual financial reports on www.idx.co.id for the 2017-2022 period.

**Data source**
The data source used in this research is external secondary data, which is data that is not directly obtained from the source but is obtained in finished form, which is collected, processed, and published by other parties outside the firm concerned. Then, the data used in this research are annual financial reports and business performance summaries of non-financial Firms included in the LQ45 stock index that meet the sample criteria and publish their complete annual financial reports www.idx.co.id during the 2017-2021 period.

**Data collection technique**
The method used in this research involves collecting sources in the form of scientific and international journals, books, lecture materials, and other information related to the problems to be discussed in this research. It also involves collecting secondary data indirectly, namely by accessing the website www. idx.co.id.

**Population and Sample**
**Population**
All non-financial firm sectors that were listed on the Indonesia Stock Exchange between 2017 and 2022 and included in the LQ45 stock index comprise the population considered in this study. The IDX provided the secondary data used in this study, specifically the yearly financial reports for each company for the years 2017–2022.

**Sample**
The sample reflects the size and makeup of the population (Sugiyono, 2018). To choose the sample for this study, the author employed a purposive sampling technique based on specific goals.

**Multiple Linear Regression Analysis**
Using the known values of the independent variables, multiple linear regression analysis predicts the population average of the dependent variable by examining the relationship between related factors and one or more independent variables. The following is how to compute the multiple linear regression analysis formula that was used to test the hypothesis:

$$\mathbf{Rt_1 = \alpha + \beta_1 UP + \beta_2 KU + \beta_3 PF + e} \quad (1)$$

## 4. Results
**Descriptive Statistical Analysis**
Based on the following descriptive statistical results, the sample characteristics used in this research include sample average, largest value, smallest value, and standard deviation for each variable. Below shows that observations on LQ45 Firms listed on the Indonesia Stock Exchange (BEI) for the 2017-2022 period in this research are as follows:

**Table 1. Results of Descriptive Statistical Analysis**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Stock returns | 108 | -0.74 | 0.48 | -0.0738 | 0.23297 |
| Firm Size | 108 | 30.43 | 33.65 | 31.721 | 0.90009 |
| Debt Policy | 108 | 0.13 | 3.31 | 0.769 | 0.61522 |
| Profitability | 108 | 0.01 | 0.39 | 0.1409 | 0.08349 |
| Dividend Policy | 108 | 0 | 2.56 | 0.6084 | 0.51944 |
| Valin N (listwise) | 108 | | | | |

Source: Data Processed (2023)

Table 1 presents that 108 samples of observation data from 18 non-financial Firms were included in the LQ45 stock index on the IDX for the 2017-2022 period.

**Normality test**
Figure 2 below shows that the residual values of the observation data are normally distributed because the graph is bell-shaped to the left or skews to the right. Data with a pattern like the one below is normally distributed.

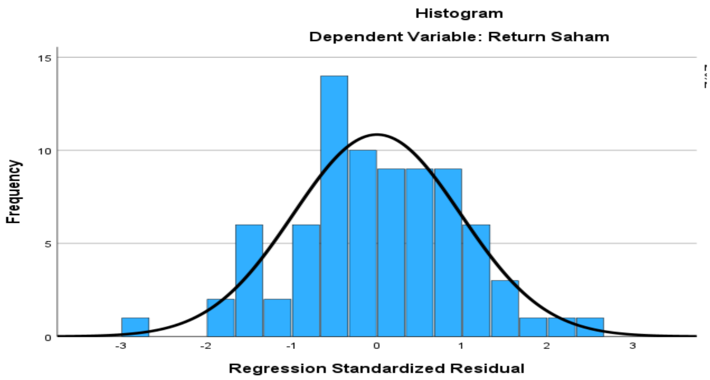


**Figure 2. Normality Test Results – Histogram Graph**

**Multicollinearity Test**
The multicollinearity test is carried out by looking at the Tolerance Value and Variance Inflation Factor (VIF) of each independent variable. If the Tolerance value is > 0.10 and the VIF value is < 10, then the data is free from symptoms of multicollinearity.

**Table 2. Multicollinearity Test Results**

| | | Collinearity Statistics | |
|---|---|---|---|
| Model | | Tolerance | VIF |
| 1 | Firm Size | 0.879 | 1.138 |
| | Debt Policy | 0.819 | 1.22 |
| | Profitability | 0.891 | 1.122 |

Source: Data Processed (2023)

Based on the above multicollinearity test results, it can be said that the regression equation for firm size, debt policy, and profitability does not have a multicollinearity problem because each of these variables has a tolerance value greater than 0.10 and a VIF value less than 10.

**Heteroscedasticity Test**
In this research, the heteroscedasticity test used is the Scatterplot graph which can be seen from the graph below:

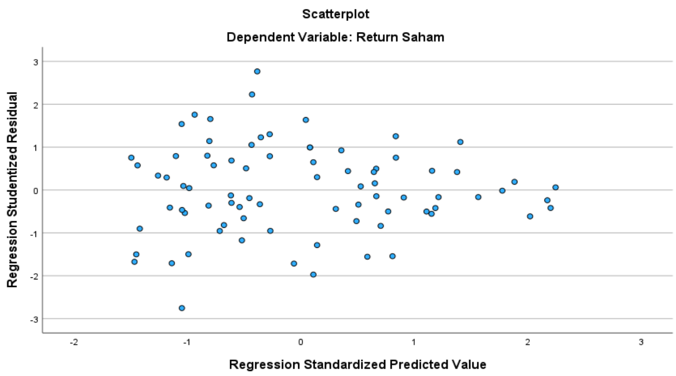


**Figure 3. Heteroscedasticity Test Results – Scatterplot Graph**

In Figure 3, the data points are spread above and below or around zero on the Y-axis. The points do not just collect above or below but spread out. The distribution of data points is not patterned. This result shows that heteroscedasticity does not occur in the regression model.

**Multiple Linear Regression Analysis**
A relationship between one or more independent variables and associated variables is known as multiple linear regression analysis. Its goal is to use the known values of the independent variables to predict the population average of the dependent variable. Table 3 below displays the findings of the multiple linear regression test used in this study.

**Table 3. Regression Model Test Results**

| | | Unstandardized Coefficients | | Standardized Coefficient | | |
|---|---|---|---|---|---|---|
| Model | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | -1.034 | 0.979 | | -1.056 | 0.294 |
| | Firm Size | 0.031 | 0.031 | 0.120 | 0.983 | 0.033 |
| | Debt Policy | -0.009 | 0.048 | -0.023 | -0.181 | 0.857 |
| | Profitability | -0.098 | 0.337 | -0.035 | -0.292 | 0.771 |

Source: Data Processed (2023)

The results of the regression test show that Firm size has a significant positive influence on stock returns, with a coefficient value of 0.031 and a significance of 0.033. On the other hand, debt policy and profitability do not show a significant influence on stock returns, with coefficient values of -0.009 and -0.098, respectively, and significance of 0.857 and 0.771.

## 5. Discussion

**The Effect of Firm Size on Stock Returns**
The study's findings indicate that the computed t value is less than the t table, namely, with a significance level below the regression coefficient value. According to the hypothesis test results, stock returns are positively impacted by firm size. According to Anjani (2019), the larger the firm, the higher the share price will be, which will entice investors to participate in the company. This will be followed by an increase in share returns. This study supports those of Wahyudi (2022), Lesmana et al. (2021), and Riawan (2019), who found that the firm size variable significantly and favorably affects stock returns. However, different results were shown by (Wahyudi, 2022), who explained that Firm size had a negative and insignificant effect on stock returns.

**The Effect of Debt Policy on Stock Returns**
Based on the regression coefficient and level of significance, the research findings indicate that the computed t value is less than the t table. According to the hypothesis test results, stock returns are unaffected by debt policy. According to Tumonggor et al. (2017), the DER value is computed by dividing the entire liability value by the total equity value. Consequently, a higher DER indicates a larger ratio of total debt to total equity, which will lower share prices (Purwitajati & Putra, 2017). A declining stock price indicates that there is little demand for these shares, which will result in lower stock returns. The findings of this study support those of studies by Latifah & Suryani (2020), Rahmah & Mintarti (2021), Santry et al. (2019), and Suryani Ulan Dewi & Sudiartha (2019), which found no relationship between the debt policy variable and stock returns. According to research by Anjani (2019), the debt policy variable had a favorable and significant impact on stock returns, albeit the findings were different.

**The Effect of Profitability on Stock Returns**
Based on the regression coefficient and level of significance, the research findings indicate that the computed t value is less than the t table. According to the hypothesis test results, stock

returns are negatively impacted by the profitability variable. According to this research, stock returns would fall as ROE rises (Ardief & Esra, 2017). The data distribution pattern of stock returns, which tends to decline as the ROE value rises, is the reason why ROE has a negative impact on stock returns. Investors can therefore use ROE as a metric to examine the return on their investment while making their decision. The study's findings corroborate those of earlier researchers, including Dura (2021), Nurdiana (2020), Tumonggor et al. (2017), and Suci (2022), who found that profitability had a negligible and adverse impact on stock returns. This outcome contradicts the findings of a study by Wulandari et al. (2021), which found that stock returns are positively and significantly impacted by the profitability variable.

**The Effect of Dividend Policy on Moderating Firm Size Regarding Stock Returns**

The degree of relevance is demonstrated by the outcomes of the hypothesis test. The dividend policy variable can mitigate the impact of firm size on stock returns because the regression model's significance value is lower. In this instance, the firm size variable on stock returns is strengthened by the dividend policy, which also serves as a moderating variable. A company's stock returns will be high if it is huge in size and pays out high-value dividends to its shareholders (Anjani, 2019). On the other hand, stock returns will likewise be low if a company is enormous and its dividends to shareholders are tiny. The findings of this study are consistent with those of studies by Adiwibowo & Sigit (2018), Hawari & Putri (2020), Nurhaeni et al. (2021), and Sudarsono & Sudiyatno (2019), which found that dividend policy may mitigate the impact of firm size on stock returns. On the other hand, dividend policy cannot mitigate the impact of firm size on stock returns, according to Fatahillah et al. (2022).

**The Effect of Dividend Policy in Moderating Debt Policy Regarding Stock Returns**

The degree of relevance is demonstrated by the outcomes of the hypothesis test. According to the test results, the dividend policy variable is probably unable to mitigate the impact of debt policy on stock returns because the significance value is higher. Because stock returns will fall if DER rises. Investors will also receive less dividend income as a result of this outcome; hence, share prices will drop and stock returns will also decline (Ardief & Esra, 2017). A low DER level indicates that the company cannot effectively address its immediate needs. It is evident from Saselah and Prasetyanta's (2020) research that dividend policy cannot mitigate the impact of debt policy on stock performance. In contrast, dividend policy may mitigate the impact of debt policy on stock returns, according to Fatahillah et al. (2022).

**The Effect of Dividend Policy in Moderating Effects Profitability of Stock Returns**

The degree of relevance is demonstrated by the outcomes of the hypothesis test. It is possible to conclude from the regression model that the dividend policy variable cannot mitigate the impact of profitability on stock returns because the significance value is higher. According to this research, the dividend policy cannot increase the impact of profitability on stock returns. In this instance, this indicates that investors do not use dividend policy as an indicator of their investing strategy, or that knowledge about dividend payment policy does not improve investors' ability to forecast stock results. According to research by Sitompul (2021), Wiyono & Ramlani (2020), and Apriyani et al. (2021), dividend policy cannot mitigate the impact of profitability on stock returns. These findings are consistent with those of these studies. This contrasts with Christianti's (2021) assertion that dividend policy can mitigate the impact of profitability on stock returns.

## 6. Conclusion

With dividend policy acting as a moderating variable, this study looks at how firm size, debt policy, and profitability affect stock returns in companies that are part of the LQ45 stock index on the Indonesia Stock Exchange (BEI) between 2017 and 2022. The following conclusions can be drawn from the outcomes of tests conducted using regression multiple linear analysis using the SPSS Version 29.0 software: Firm size has a positive and significant impact on stock returns in non-financial firms that are part of the LQ45 stock index, according to the findings of the experiments that have been conducted. Debt policy has a negative and negligible impact on stock returns in non-financial firms that are part of the LQ45 stock index, according to the findings of the studies that have been conducted. Profitability has a negative and negligible impact on stock returns in non-financial firms that are part of the LQ45 stock index, according to the findings of the studies that have been conducted. Dividend policy can attenuate the impact of firm size on stock returns in non-financial firms that are part of the LQ45 stock index, according to the findings of the studies that have been conducted. Dividend policy can attenuate the impact of firm size on stock returns in non-financial firms that are part of the LQ45 stock index, according to the findings of the studies that have been conducted. Dividend policy cannot attenuate the impact of debt policy on stock returns in non-financial firms that are part of the LQ45 stock index, according to the results of the studies that have been conducted. Dividend policy cannot regulate the profitability of stock returns in non-financial firms that are part of the LQ45 stock index, according to the results of the studies that have been conducted. The managerial implication of these findings is that Firm managers need to consider Firm size and profitability in designing optimal debt and dividend policies to maximize stock returns.

## Recommendation

Future researchers should use other, broader firm sectors to obtain more samples. More variables will also be used in future research, which will influence stock returns. The results obtained will result in a better analysis.

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