AJEMB
AMERICAN JOURNAL OF ECONOMIC AND MANAGEMENT BUSINESS

American Journal of Economic and Management Business
e-ISSN: 2835-5199
Vol. 4 No. 10 October 2025

The Influence of Monetary Policy, Macroeconomic Variables, Global Markets, and Internal Company Factors on Stock Returns of Lq45 Companies on the Indonesian Stock Exchange

Rifa Mutia
Universitas Sultan Ageng Tirtayasa, Indonesia
Email: 7786230006@untirta.ac.id

Abstract

This study aims to identify the influence of monetary policy, macroeconomic variables, global markets, and internal factors on stock returns in LQ45 companies on the Indonesia Stock Exchange during the period 2020Q1 to 2024Q3. The results of the estimation using the GMM (Generalized Method of Moments) panel show that BIR has both a significant positive and negative influence on stock returns. Meanwhile, INF and EXR have a negative and significant influence on stock returns. However, DJ has a negative and insignificant influence on stock returns, while DER has a positive and significant influence. In addition, SIZE, ROA, and ROE have a positive but insignificant influence on the returns of LQ45 company shares on the Indonesia Stock Exchange. According to the results of the analysis in this study, monetary policy, macroeconomic variables, global markets, and internal company factors are the most important components that can affect the level of stock returns. Therefore, the management of the company needs to pay attention to aspects that directly affect stock returns, while potential investors should consider stock price movements influenced by these factors. This is important for formulating effective investment strategies.

Keywords: Monetary Policy, BI Rate, Inflation, Exchange Rate, Dow Jones Index, Company Size

INTRODUCTION

The development of the capital market is a benchmark for economic progress in a country. In Indonesia, capital market development can be considered rapid, as shown by the increasing number of investors in the *Indonesia Stock Exchange* (IDX). In 2024, the number of capital market investors reached 8.3 million, an increase of 12.13% from 2021. Many new investors are still interested in investing their funds in the capital market, particularly in stocks (Garnia et al., 2024). Before investing, investors are typically influenced by information contained in the stock price index. They analyze stock price movements to assess the trade-off between risk and return when making investment decisions (Okechukwu et al., 2019).

The current capital market institution is the *Indonesia Stock Exchange* (IDX), the largest in the country. The IDX plays a crucial role for Indonesians as a platform for investment, particularly through stock investments (Wardani & Yusniar, 2024). On the IDX, stocks are grouped into 11 main sectors based on the *IDX Industrial Classification* (IDX-IC). This classification follows global models such as the GICS (*Global Industry Classification Standard*) and provides a clearer structure for analyzing stock movements by industry sectors. With this classification, investors can more easily analyze and compare company performance within the same sector and make more informed decisions.

It represents around 70% of transaction volume in the capital market and includes the largest companies by market capitalization, categorized as blue-chip stocks (Prawiro et al., 2022). This study uses companies listed in the *LQ45 Index* as research objects. From a risk perspective, the *LQ45 Index* carries lower risk compared to other stocks. The selection of LQ45 companies is based on their high liquidity, relatively strong financial performance, and

representative role in reflecting overall stock movements. Thus, analyzing LQ45 stock returns can provide relevant, accurate, and representative insights into the effects of economic conditions and internal company factors on stock returns in Indonesia (Wibowo et al., 2023).

The *LQ45 Index* is also used to measure stock market performance on the IDX. Investors often focus on LQ45 stocks because they represent leading companies (Nurwulandari et al., 2020). The IDX regularly revises the list of LQ45 companies every six months (Mujahidah et al., 2023). Shares are automatically replaced if they do not meet the selection criteria set by the IDX. Therefore, the *LQ45 Index* serves as an indicator of leading stock market trends by reflecting the activity of 45 liquid stocks.

Capital investment at a given value for a set time. The expected rate of return is directly proportional to the level of risk taken. Investors rely on data and information from companies' published financial statements to evaluate and trade between higher-risk and lower-risk opportunities.

Hoong et al. (2023) explain that the level of return depends on the investor's tolerance for risk. The greater the risk, the greater the expected return. Stock return is the result of investing, representing compensation for the invested funds and the willingness to bear associated risks. According to Garnia et al. (2024), Chiang et al. (2024), and Santini et al. (2025), achieving higher returns requires considering the risks posed by monetary policy, macroeconomic conditions, global markets, and the financial performance of companies.

Daud and Sihombing (2022) discuss the *Arbitrage Pricing Theory* (APT) introduced by Ross (1976). APT explains the relationship between risk and return and is considered a more comprehensive capital market equilibrium model compared to *Capital Asset Pricing Model* (CAPM). Unlike CAPM, which attributes stock returns only to systematic market risk, APT suggests that returns are influenced by multiple factors, including macroeconomic variables (inflation, exchange rates, interest rates, government policies) and internal company performance.

Monetary policy is one of the key risks influencing stock performance, particularly via the BI rate. As Anwar et al. (2022) explain, monetary policy is an important instrument for achieving economic stability by maintaining price stability and protecting the financial system. Central banks influence the real economy through monetary tools that directly affect financial markets, including stocks and bonds. Since monetary policy decisions can significantly impact stock prices and returns, it is critical for the central bank to adopt efficient policies.

The stock prices in the *LQ45 Index* fluctuate rather than continuously increase. The highest price was 1,022.99 in 2022Q1, with a return rate of 0.10%. By 2024Q3, the index had declined to 938.92 with a return rate of 0.06%. These fluctuations show that realized stock returns often differ from investor expectations, highlighting the inherent uncertainty between expected returns and investment risks. Stock price movements are affected by multiple factors. Chiang et al. (2024) note that returns result from either capital gains (profits) or capital losses. Rising stock values yield capital gains, while falling values may result in capital losses when shares are sold below their purchase price.

Factors influencing LQ45 stock returns include monetary policy, macroeconomic variables, global markets, and company-specific conditions (Rahayu et al., 2024). For example, interest rate cuts by the central bank typically lower borrowing costs, boosting investment and consumption, which positively impacts stock returns. Conversely, interest rate hikes reduce demand and profitability, pressuring stock prices. Inflation and exchange rate fluctuations also have significant effects. While high inflation can trigger interest rate increases and reduce returns, exchange rate volatility affects foreign investment and trade competitiveness (Musyoka & Ocharo, 2018).

Exchange rate movements against the US dollar, in particular, play a key role in Indonesia's capital markets. The depreciation of the rupiah often drives capital outflows into more stable currencies, suppressing stock prices. Meanwhile, global factors—especially shifts in the *Dow Jones Index*—can influence Indonesian stock returns indirectly, as international investor sentiment and capital flows are highly responsive to global market signals. Positive global economic indicators can raise investor confidence, boost stock prices, and increase returns.

Internal company factors also matter significantly. Firm size, based on total assets and capital, is an important reference for investor decisions. Understanding how firm size correlates with risk and return helps maximize profits and minimize potential losses. Financial performance is another critical determinant, reflected in indicators such as capital adequacy, liquidity, and profitability. Ratios including Debt-to-Equity Ratio (DER), Return on Assets (ROA), and Return on Equity (ROE) measure these aspects (Odhiambo et al., 2025). DER shows the debt-to-equity structure, ROA measures profitability relative to assets, and ROE reflects fund utilization efficiency. Prior studies have shown inconsistencies in how monetary policy and macroeconomic factors influence stock returns, highlighting the need for further investigation.

The BI rate, for instance, can have either negative or positive effects. While higher BI rates are often linked to declining stock returns, in some cases they may bolster investor confidence in the stability of investment values. Inflation also exerts a mixed influence: high inflation can erode purchasing power and raise costs, while moderate inflation can reduce input costs and improve profitability, thereby raising stock values.

This study aims to analyze the impact of multiple factors—including the BI rate, inflation, exchange rate movements, and internal corporate factors—on the returns of LQ45 companies listed on the IDX. By better understanding these interactions, this research seeks to provide practical insights for investors and policymakers in developing more effective investment strategies. It is also expected to contribute both academically and practically, advancing economic research and serving as a valuable reference for investors' decision-making processes.

METHOD

This research employed a descriptive design with a quantitative approach. The study focused on the activities of LQ45 companies listed on the Indonesia Stock Exchange (IDX). Based on its objectives, the research used quantitative data in the form of dynamic panel data, combining time series and cross-sectional data.

Secondary data were utilized, obtained through literature reviews, journals, online publications, and official databases, including those from Bank Indonesia, the IDX, and quarterly financial reports of companies. The study covered LQ45 companies listed on the IDX during the period 2020Q1–2024Q3.

RESULT AND DISCUSSION

Results of Multiple Regression Test of Ordinary Least Square Panel

Table 1. POLS Estimation Result

Variable	Dependent Variable: *Stock Return (SR)*			
	Model 1	**Model 2**	**Model 3**	**Model 4**
SR (-1)	-0.1265***	0.1627***	-0.1597***	-0.1386***
	(0.0430)	(0.0429)	(0.0427)	(0.0434)

Variable	Dependent Variable: *Stock Return (SR)*			
	Model 1	**Model 2**	**Model 3**	**Model 4**
A	0.0178	-0.0172*	-0.173*	0.0173
	(0.0140)	(0.0102)	(0.0102)	(0.0140)
INF		-0.0142**	-0.0131*	
		(0.0067)	(0.0067)	
EXR	-0.0001***			-0.0001***
	(0.000)			(0.0000)
DJ	-5.7000**	-7.7800***	-7.7600***	-5.3600***
	(2.4200)	(2.6500)	(2.6500)	(2.4200)
SIZE	0.0042	0.0058	0.0029	0.0040
	(0.0073)	(0.0078)	(0.0078)	(0.0076)
THE	-0.0000	-0.0000	0.0002	0.0029
	(0.0031)	(0.0032)	(0.0032)	(0.0034)
LENGTH		0.1011		0.5244**
		(0.1538)		(0.2622)
ROE			-0.0371	-0.1815**
			(0.0510)	(0.0867)
C	1.5007***	0.3106**	0.3681**	1.4848***
	(0.3249)	(0.1538)	(0.1522)	(0.3259)
R2	0.1166	0.0918	0.0920	0.1258
No. of Cross-section	25	25	25	25
No. Of Observation	450	450	450	450

Note: Symbols * is Prob. < 10%, ** is Prob. < 5%, and *** is Prob. < 1%.

The table above shows the results of the estimation using the POLS Estimation Method

Model 1

In this model, only one dependent variable is used, which is "SR" which is the value of "Stock Return". It can be known that the coefficient of Stock Return (SR) is -0.1265 which indicates that this coefficient is statistically significant. This means that any 1 percent increase in Stock Return in the previous period will result in a decrease of -0.1265% in the current period. The BIR coefficient is 0.0178, which means that if there is an increase in Stock

A return of 1% of the research will increase in BIR by 0.0178%. The EXR coefficient is -0.0001, meaning that if there is an increase in Stock Return by 1%, the study will reduce the EXR by -0.0001%. The DJ coefficient is -5.7000, meaning that if there is an increase in Stock Return by 1%, the research will decrease the DJ by -5.7000%. The SIZE coefficient is 0.0042, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in SIZE of 0.0042%. The DER coefficient is -0.0000, meaning that if there is an increase in Stock Return by 1%, the study will decrease the DER by -0.0000%. The R-Square value of 0.1166 illustrates that the contribution of the variables BIR, EXR, DJ, SIZE and DER to the Stock Return is 11.66% and the remaining is 88.34%.

Model 2

In this model, only one dependent variable is used, which is "SR" which is the value of "Stock Return". It can be seen that the coefficient of Stock Return (SR) is -0.1627 which shows that this coefficient is statistically significant. This means that any 1 percent increase in Stock Return in the previous period will result in a decrease of -0.1627% in the current period. The BIR coefficient is -0.0172, which means that if there is an increase in Stock

The return of 1% of the study will reduce the BIR by -0.0172%. The INF coefficient is -0.0142, meaning that if there is an increase in Stock Return by 1%, the study will decrease the

INF by -0.0142%. The DJ coefficient is -7.7800, meaning that if there is an increase in Stock Return by 1%, the research will decrease in DJ by -7.7800%. The SIZE coefficient is 0.0058, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in SIZE of 0.0058%. The DER coefficient is -0.0000, meaning that if there is an increase in Stock Return by 1%, the study will decrease the DER by -0.0000%. The ROA coefficient is 0.1011, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in ROA of 0.1011%. The R-Square value of 0.0918 illustrates that the contribution of the variables BIR, INF, DJ, SIZE, DER and ROA to the Stock Return is 9.18%

Model 3

In this model, only one dependent variable is used, which is "SR" which is the value of "Stock Return". It can be known that the coefficient of Stock Return (SR) is -0.1597 which shows that this coefficient is statistically significant. This means that any 1 percent increase in Stock Return in the previous period will result in a decrease of -0.1597% in the current period. The BIR coefficient is -0.0173, meaning that if there is an increase in Stock

The return of 1% of the study will reduce the BIR by -0.0173%. The INF coefficient is -0.0131, which means that if there is an increase in Stock Return by 1%, the study will decrease the INF by -0.0131%. The DJ coefficient is -7.6700, meaning that if there is an increase in Stock Return by 1%, the research will decrease in DJ by -7.6700%. The SIZE coefficient is 0.0029, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in SIZE of 0.0029%. The DER coefficient is 0.0002, meaning that if there is an increase in Stock Return by 1% of the research, there will be an increase in DER of 0.0002%. The ROE coefficient is -0.0371, which means that if there is an increase in Stock Return by 1%, the study will reduce the ROA by -0.0371%. The R-Square value of 0.0920 illustrates that the contribution of the variables BIR, INF, DJ, SIZE, DER and ROE to the Stock Return is 9.20%

Model 4

In this model, only one dependent variable is used, which is "SR" which is the value of "Stock Return". It can be known that the coefficient of Stock Return (SR) is -0.1386 which indicates that this coefficient is statistically significant. This means that any 1 percent increase in Stock Return in the previous period will result in a decrease of -0.1386% in the current period. The BIR coefficient is 0.0173, which means that if there is an increase in Stock

A return of 1% of the study will increase in BIR by 0.0173%. The EXR coefficient is -0.0001, which means that if there is an increase in Stock Return by 1%, the study will decrease the EXR by -0.0001%. The DJ coefficient is -5.3600, meaning that if there is an increase in Stock Return by 1%, the research will decrease the DJ by -5.3600%. The SIZE coefficient is 0.0040, which means that if there is an increase in Stock Return by 1% of the study, there will be an increase in SIZE of 0.0040%. The DER coefficient is 0.0029, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in DER of 0.0029%. The ROA coefficient is 0.5244, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in ROA of 0.5244%. The ROE coefficient is -0.1815, meaning that if there is an increase in Stock Return by 1%, the study will reduce the ROE by -0.1815%. The R-Square value of 0.1258 illustrates that the contribution of the variables BIR, EXR, DJ, SIZE, DER, ROA and ROE to the Stock Return is 12.58% and the remaining 87.42%.

Endogeneity Test

Table 2. Endogeneity Test

Variable	Model 1	Model 2	Model 3	Model 4
Prob. Durbin-Wu HausmanTest	0.0000***	0.0000***	0.0000***	0.0000***
No of Cross-Section	25	25	25	25
No of Observation	450	450	450	450

Symbols ** is Prob. < 5%.

Table 2 shows the results of endogeny tests using the Durbin-Wu Hausman Test (DWH) in the four models tested. All models show a probability value of 0.0000, which is smaller than the significant limit of 5% (**), indicating the existence of endogeny problems in the variables used in each model. In other words, there is a possibility of a negligible cause-and-effect relationship between independent and dependent variables in these models, so the use of estimation methods such as Pooled OLS (Ordinary Least Squares) can provide biased results if this endogenicity problem is not addressed.

These figures indicate a large enough sample size to perform regression analyses that can provide reliable results. However, it is worth noting that despite the large sample size, the results of the DWH test show that these models need to use more complex estimates such as fixed effect models to deal with the endogenicity problem.

Regression Generalized Method of Moment Test Results

Table 3. Panel System GMM Estimation

Variable	Dependent Variable: *Stock Return (SR)*			
	Model 1	Model 2	Model 3	Model 4
SR (-1)	-0.1731*** (0.0192)	-0.2780*** (0.0243)	-0.2743*** (0.0265)	-0.2059*** (0.0297)
A	0.0290*** (0.0061)	-0.0241*** (0.0041)	-0.0242*** (0.0051)	0.0221*** (0.0082)
INF		-0.0128*** (0.0034)	-0.0142*** (0.0029)	
EXR	-0.0001*** (0.0000)			-0.0001*** (0.0000)
DJ	-3.3700*** (1.2000)	1.0900 (1.5600)	-1.7500 (1.7000)	-2.6700* (1.4400)
SIZE	0.0034 (0.0097)	-0.0080 (0.0224)	0.0053 (0.0170)	0.0191 (0.01360)
THE	0.0296*** (0.0051)	0.03221*** (0.0065)	0.0260*** (0.0044)	0.0342*** (0.0073)
LENGTH		0.2166*** (0.0710)		0.0579 (0.3831)
ROE			0.0404*** (0.0114)	0.0090 (0.1083)
C	1.4407*** (0.2090)	0.2500 (0.4096)	0.0381 (0.3049)	1.0219** 0.4273
AR(1) (p-value)	0.0001	0.0003	0.0003	0.0002
AR(2) (p-value)	0.6265	0.1382	0.0851	0.3594
Sargan Test (p-value)	0.9752	0.9914	0.9938	0.9953
No. of Cross-section	25	25	25	25
No. Of Observation	425	425	425	425

Note: Symbols * is Prob. < 10%, ** is Prob. < 5%, and *** is Prob. < 1%.

The table above shows the results of the estimation using the Panel System GMM Estimation

Model 1

In this model, only one dependent variable is used, which is "SR" which is the value of "Stock Return". It can be known that the coefficient of Stock Return (SR) is -0.1731 which indicates that this coefficient is statistically significant. This means that any 1 percent increase in Stock Return in the previous period will result in a decrease of -0.1731% in the current period. The BIR coefficient is 0.0290, meaning that if there is an increase in Stock

A return of 1% of the study will increase in BIR by 0.0290%. The EXR coefficient is -0.0001, meaning that if there is an increase in Stock Return by 1%, the study will reduce the EXR by -0.0001%. The DJ coefficient is -3.3700, meaning that if there is an increase in Stock Return by 1%, the research will decrease in DJ by -3.3700%. The SIZE coefficient is 0.0034, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in SIZE of 0.0034%. The DER coefficient is 0.0296, meaning that if there is an increase in Stock Return by 1% of the research, there will be an increase in DER of 0.0296%.

The results of the Arellano-Bond test on the Sym-GMM model have a Pvalue value (AR1) < a (0.05) and a Pvalue value (AR2) > a (0.05) Thus, the test results accept H0 in accordance with the conditions of the AB test, namely in AR(1) have significant results, while in AR(2) have insignificant results. So it can be concluded that the results of the GMM model estimation in this study passed the Arellano-Bond test, which means that the estimation results are declared consistent and there is no autocorrelation.

The results of the sargan test on the Sym-GMM model had a Pvalue value of > a (0.05). Thus, the test results received H0, so it can be concluded that the GMM model estimation results in this model passed the sargan test, which means that the estimation results were declared valid.

Model 2

In this model, only one dependent variable is used, which is "SR" which is the value of "Stock Return". It can be seen that the coefficient of Stock Return (SR) is -0.2780 which indicates that this coefficient is statistically significant. This means that any 1 percent increase in Stock Return in the previous period will result in a decrease of -0.2780% in the current period. The BIR coefficient is -0.0241, meaning that if there is an increase in Stock

The return of 1% of the study will reduce the BIR by -0.0241%. The INF coefficient is -0.0128, meaning that if there is an increase in Stock Return by 1%, the study will decrease the INF by -0.0128%. The DJ coefficient is 1.0880, meaning that if there is an increase in Stock Return by 1% of the research, there will be an increase in DJ by 1.0900%. The SIZE coefficient is -0.0080, meaning that if there is an increase in Stock Return by 1%, the study will decrease the SIZE by -0.0080%. The DER coefficient is 0.0322, which means that if there is an increase in Stock Return by 1% of the study, there will be an increase in DER of 0.0322%. The ROA coefficient is 0.2166, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in ROA of 0.2166%.

The results of the Arellano-Bond test on the Sym-GMM model have a Pvalue value (AR1) < a (0.05) and a Pvalue value (AR2) > a (0.05) Thus, the test results accept H0 in accordance with the conditions of the AB test, namely in AR(1) have significant results, while in AR(2) have insignificant results. So it can be concluded that the results of the GMM model estimation in this study passed the Arellano-Bond test, which means that the estimation results are declared consistent and there is no autocorrelation.

The results of the sargan test on the Sym-GMM model had a Pvalue value of > a (0.05). Thus, the test results received H0, so it can be concluded that the GMM model estimation

results in this model passed the sargan test, which means that the estimation results were declared valid.

Model 3

In this model, only one dependent variable is used, which is "SR" which is the value of "Stock Return". It can be known that the coefficient of Stock Return (SR) is -0.2743 which indicates that this coefficient is statistically significant. This means that any 1 percent increase in Stock Return in the previous period will result in a decrease of -0.2743% in the current period. The BIR coefficient is -0.0242, meaning that if there is an increase in Stock

The return of 1% of the study will reduce the BIR by -0.0242%. The INF coefficient is -0.0142, meaning that if there is an increase in Stock Return by 1%, the study will decrease the INF by -0.0142%. The DJ coefficient is -1.7470, meaning that if there is an increase in Stock Return by 1%, the research will decrease in DJ by -1.7500%. The SIZE coefficient is 0.0053, which means that if there is an increase in Stock Return by 1% of the study, there will be an increase in SIZE of 0.0053%. The DER coefficient is 0.0260, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in DER of 0.0260%. The ROE coefficient is 0.0404, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in ROA of 0.0404%.

The results of the Arellano-Bond test on the Sym-GMM model have a Pvalue value (AR1) < a (0.05) and a Pvalue value (AR2) > a (0.05) Thus, the test results accept H0 in accordance with the conditions of the AB test, namely in AR(1) have significant results, while in AR(2) have insignificant results. So it can be concluded that the results of the GMM model estimation in this study passed the Arellano-Bond test, which means that the estimation results are declared consistent and there is no autocorrelation.

The results of the sargan test on the Sym-GMM model had a Pvalue value of > a (0.05). Thus, the test results received H0, so it can be concluded that the GMM model estimation results in this model passed the sargan test, which means that the estimation results were declared valid.

Model 4

In this model, only one dependent variable is used, which is "SR" which is the value of "Stock Return". It can be known that the coefficient of Stock Return (SR) is -0.2059 which indicates that this coefficient is statistically significant. This means that any 1 percent increase in Stock Return in the previous period will result in a decrease of -0.2059% in the current period. The BIR coefficient is 0.0221, which means that if there is an increase in Stock

The return of 1% of the research will increase in BIR by 0.0221%. The EXR coefficient is -0.0001, which means that if there is an increase in Stock Return by 1%, the study will decrease the EXR by -0.0001%. The DJ coefficient is -2.6680, meaning that if there is an increase in Stock Return by 1%, the research will decrease in DJ by -2.6700%. The SIZE coefficient is 0.0191, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in SIZE of 0.0191%. The DER coefficient is 0.0342, meaning that if there is an increase in Stock Return by 1% of the study, there will be an increase in DER of 0.0342%. The ROA coefficient is 0.0579, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in ROA of 0.0579%. The ROE coefficient is 0.0090, which means that if there is an increase in Stock Return by 1% of the research, there will be an increase in ROE of -0.0090%.

The results of the Arellano-Bond test on the Sym-GMM model have a Pvalue value (AR1) < a (0.05) and a Pvalue value (AR2) > a (0.05) Thus, the test results accept H0 in accordance with the conditions of the AB test, namely in AR(1) have significant results, while

in AR(2) have insignificant results. So it can be concluded that the results of the GMM model estimation in this study passed the Arellano-Bond test, which means that the estimation results are declared consistent and there is no autocorrelation. The results of the sargan test on the Sym-GMM model had a Pvalue value of > a (0.05). Thus, the test results received H0, so it can be concluded that the GMM model estimation results in this model passed the sargan test, which means that the estimation results were declared valid.

The Effect of BI Rate on Stock Returns

Based on the results of the estimation that has been carried out, it is obtained that the results of the GMM estimation test for the BI Rate (BIR) variable have a significant positive and negative influence on Stock Return (SR). The value of the coefficient with a positive and significant influence of 0.0221 to 0.0290 means that every increase in BIR by one percent, will cause a significant increase in Stock Return by 0.02 to 0.03 percent. Meanwhile, the value of the coefficient with a negative and significant influence of -0.0241 to -0.0242 which means that every increase in BIR by one percent, will cause a significant decrease in Stock Return by 0.02 percent. The results of the estimation that show a positive and significant influence on this study are in line with the results of the research conducted by Budi & Faizin (2024) which shows that the BI rate has a positive effect on stock returns. Interest rate hikes can be seen as an action to control inflation, with interest rates rising this can increase borrowing costs for companies. This result is in line with the results of Zahra et al.'s (2025) research which shows that the BI rate has a positive effect on stock returns. An increase in the BI rate will encourage an increase in deposit and credit interest rates at banking institutions, so that investment in stocks becomes more attractive to investors and makes the potential for higher returns.

According to Cahyanti et al. (2024), any increase in the BI rate will affect the company's stock performance. The sale of shares depends on Bank Indonesia's decision to determine its interest rate. Interest rates can affect investments. To encourage investment growth, the government will lower interest rates because high interest rates will cause the economy to be weak, which will make investors disinterested in stock investments and switch to deposits or bonds that are less risky and have greater profits if interest rates rise.

The results of estimates that show a negative and significant influence on this study are in line with the results of research conducted by Maulida & Yulianto (2023) showing that the BI Rate has a negative effect on stock returns. Changes in the BI rate can affect the company's stock returns. When the BI rate rises, the company's profit will decrease because the company has to pay interest costs. Higher interest costs make production costs higher and cause the selling price of products to be more expensive. Customers will be more likely to hold off on a purchase. This means that it will reduce the number of product sales, then the company's profit will be cut so that it will affect the company's stock price and reduce returns.

In the CAPM (Capital Assets Pricing Model) theory, the BI rate is a component of the risk-free rate (Rf) by Sharpe (1964), which is represented by the interest rate of short-term government bonds or risk-free instruments. When BI

The rate increases, the risk-free rate increases, which has an impact on increasing investor returns. To achieve higher returns, the stock price must fall. Therefore, the increase in the BI Rate tends to lower stock prices in the short term, so the actual stock return can be negative. Conversely, the BI Rate reduction lowers the risk-free rate and increases stock valuations because investors are willing to accept lower returns. This can drive higher stock prices and positive returns.

The relationship between signalling theory and BI rate in a study conducted by Daud & Sihombing (2022) states that changes in the BI rate have an impact on the financial and capital markets. An increase in the BI rate can reduce the company's profitability. This theory provides a signal to investors as seen from changes in the BI rate to determine their investments. If the BI rate increases, the stock price will also increase, affecting stock returns. Thus, this affects the return of the company's shares and affects the return of the shares that investors will receive.

Monetary policy is used as the main tool in controlling financial system stability (Anwar et al., 2022). So the central bank as a state institution that has full authority in monetary policy needs to ensure that the policies imposed are efficient, because as has been explained, the monetary policy will affect many aspects in the economic system, including the rate of increase and decrease in stock prices that affect stock returns.

From the overall results of GMM estimation in this study, it proves that the BI Rate has an inconsistent influence between positive/negative and significant on stock return. This is in accordance with the hypothesis proposed and the existing theory, which refers to the conclusion that an increase in the BI Rate, there will be an increase in the level of stock return. Meanwhile, the negative influence shows that the BI Rate increase will reduce the stock return rate of LQ45 companies on the Indonesia Stock Exchange.

The Effect of Inflation on Stock Returns

Based on the results of the estimation that has been carried out, it is obtained that the results of the GMM estimation test for the Inflation variable (INF) have a negative and significant influence on Stock Return (SR). The coefficient value is -0.0128 to -0.0142 which means that every increase in INF by one percent, will cause a significant decrease in Stock Return of 0.0128 to 0.0142 percent.

The results of the estimation obtained in this study are in line with the results of Khezri et al.'s (2019) research which shows that inflation has a negative and significant effect on stock returns. Inflation affects stock returns through two channels: permanent and temporary inflationary components and depends on the source of fluctuations; Volatility of price has a different effect on production. Permanent components derived from supply shocks create movements in real activities (such as changes in business situations or energy prices). Through this channel, any change in inflation negatively impacts production. Basically, supply disruptions have an impact on the permanent component of inflation and reflect changes in real economic activity and can lead to a negative relationship between stock returns and inflation. This result is in line with research by Asiedu et al. (2021) which shows that inflation has a negative effect on stock returns. The increase in inflation increases the nominal risk-free rate and increases the discount rate in the valuation model. However, because cash flow does not rise at the same rate as inflation, the increase in the discount rate causes the stock price to be lower.

This result is also in line with research by Tiarawati & Hertina (2024) which shows that inflation has a negative effect on stock returns. High inflation is a negative signal for companies because the price of raw materials has increased. If raw materials increase, production costs will also increase, followed by an increase in product prices. If the price of the product rises, it will cause the sales rate in the company to decrease followed by a decrease in the company's profit. If the profit in the company decreases, the stock price will also decrease. The decline in stock prices has also reduced the returns obtained by shareholders.

According to the Arbitrage Pricing Theory (APT) theory in the research of Daud & Sihombing (2022), Inflation is a gradual increase in the general price level. Increased inflation caused by full demand (demand) and cost push (supply) will have an impact on price increases, and lowering income will also have an impact on the bad economy. For companies, inflation

can reduce investor interest in the capital market which will affect stock returns and company performance.

Inflation can affect the economic condition of a country, as can activities in the capital market. High inflation can cause the cost of raw materials to increase so that this will cause the price to increase so that the demand for a product decreases, if the demand decreases, it will have an impact on the company's profit which will decrease. If the company's profit falls, it will make the stock price also decrease, as well as the stock return which also decreases. High inflation causes the price of goods to be expensive and consumer purchasing power for goods will decrease, which will make the company's profits decrease which will later affect stock returns. This means that inflation has a negative influence on stock returns (Zahra et al. 2025).

The most important aspect of the concept of inflation to keep in mind is that prices keep rising, price increases that are only temporary cannot be said to be inflation. Inflation also causes a decrease in the purchasing power of money. If purchasing power decreases, people's income, including investors, will decrease, which will have an impact on decreasing the desire to invest in the stock market. This will result in a decrease in stock prices, as well as a decrease in stock returns. As a result, the higher the inflation rate, the lower the return on a company's shares (Amalia & Mardiansah, 2021).

From the overall results of GMM estimation in this study, it is proven that inflation has a significant negative influence on stock returns. This is in accordance with the hypothesis proposed and the existing theory, which refers to the conclusion that an increase in inflation, there will be a decrease in the level of stock return. And vice versa, when conditions decrease in inflation, it will increase the stock return rate of LQ45 companies on the Indonesia Stock Exchange.

The Effect of Exchange Rates on Stock Returns

Based on the results of the estimation that has been carried out, it is obtained that the results of the GMM estimation test for the Exchange Rate variable (EXR) have a negative and significant influence on Stock Return (SR). The coefficient value is -0.0000 to -0.0001 which means that every increase in EXR by one percent, will cause a significant decrease in Stock Return by 0.000 to 0.0001 percentage points.

The results of the estimation obtained in this study are in line with the results of Amalia & Mardiansah (2021) research which shows that the exchange rate has a negative effect on stock returns. A decrease in the exchange rate will have a negative effect on a country's economy and the country's capital market. As a result, when the rupiah exchange rate falls, the stock price falls, which is followed by a decrease in stock returns. This result is in line with the research of Ratih & Candradewi (2020) showing that the exchange rate of the Rupiah against the US $ has a negative and significant effect on Stock Returns. A sharp increase in the exchange rate of the US dollar against the rupiah will have a negative impact on issuers who have debt in dollars while the issuer's products are sold locally. Therefore, empirical evidence states that the IDR/USD exchange rate has a negative effect on stock returns.

This result is in line with research by Daud & Sihombing (2022) which shows that the exchange rate has a negative effect on stock returns. The exchange rate has a negative effect on stock returns, which means that if the exchange rate rises, the stock return decreases, and vice versa, if the exchange rate decreases, the stock return will increase. This is because when the value of US$ increases, investors flock to invest in US$ instead of investing in long-term securities, so this will make trading weaker which will make investors release their shares so that it will affect the return of stocks that will decrease. The exchange rate also needs to be considered because the weakening of the rupiah exchange rate due to government policies will

encourage purchasing power to the demand for a domestically produced goods, so that it will provide benefits for companies which will have an impact on the returns that will be obtained by investors. This means that in this case the exchange rate has a negative effect on stock returns.

In the Arbitrage Pricing Theory (APT) theory according to the research of Daud & Sihombing (2022), the exchange rate is said to be one of the systematic risks. Systematic risk makes exchange rates change that can affect the competitiveness of export-import prices and have an impact on foreign investors who invest in the local market. If the product is cheaper in the international market, it makes the company's profit increase so that the stock return rises, this has a positive impact on exporters. However, it will have a negative impact on importers if import costs increase so that the company's profits fall and result in stock returns will fall.

The relationship between signalling theory and exchange rates in a study conducted by Wicaksana (2019) that the depreciation of the Rupiah exchange rate against the US $ gives a negative signal to investors because they think that investing in forex will provide greater returns than in stocks. The form of exchange rate itself is the value of a country's currency that can be exchanged for the currency of another country. This currency exchange is known as a forex transaction. If the foreign currency exchange rate rises, then the value of the domestic currency will definitely decrease (depreciate) so that the price of raw materials and imported goods will rise, which causes higher production costs, and the company's profits will decrease. The decline in the company's profit caused the company's share price to fall. This indicates that an increase in foreign currency exchange rates will reduce the company's stock returns.

From the overall results of GMM estimation in this study, it is proven that the exchange rate has a negative and significant influence on stock returns. This is in accordance with the hypothesis proposed and the existing theory, which refers to the conclusion that an increase in the exchange rate will result in a decrease in the level of stock return. Likewise, when conditions decline in the exchange rate, it will increase the level of stock return on LQ45 companies on the Indonesia Stock Exchange.

The Effect of the Dow Jones Index on Stock Returns

Based on the results of the estimation that has been carried out, it is found that the results of the GMM estimation test for the Dow Jones Index (DJ) variable have a negative and insignificant influence on Stock Return (SR). The coefficient value is -1.0880 to -3.3750 which means that every increase in DJ by one percent, will cause a decrease and not consistently cause a significant change in Stock Return of 1.09 to 3.38 percentage points.

The results of the estimation obtained in this study are in line with the results of Prawoto & Putra's (2020) research showing that the Dow Jones index has a negative and insignificant influence on the composite stock price index which will affect stock returns. When the US economy strengthens and grows too fast, the Fed tends to raise interest rates to maintain price stability, which has an impact on US bonds and stocks becoming more attractive, so that stock prices in developing countries fall. This can slow down the company's growth and pressure on stocks. This result is in line with Damajanti et al. (2018) who showed that the Dow Jones index has a negative and insignificant influence. The influence of the movement of the Dow Jones index on the stock market in Indonesia weakened and the movement of Dow Jones shares was not the main factor in affecting stock returns. This is not strong enough to be used as a basis for decision-making in investing.

The high tariff policy of Donald Trump has made an impact on the global and stock indices in Indonesia has decreased. The impact of this policy creates global uncertainty that will cause capital market volatility, global supply chain disruptions that will reduce company profits, as well as negative sentiment of global investors towards risky assets. Meanwhile, the

impact on stock indices in Indonesia will make capital outflow where when uncertainty increases, global investors tend to withdraw funds from developing countries such as Indonesia and capital outflows (capital outflow) will suppress the rupiah exchange rate and cause a decline in the JCI.

From the overall results of GMM estimation in this study, it is proven that the Dow Jones index has a negative and insignificant influence on stock returns. This is in accordance with the hypothesis proposed and the existing theory, which refers to the conclusion that an increase in the Dow Jones index will result in a decrease in the level of stock return. And vice versa, when conditions are down in the Dow Jones index, it will increase the level of stock return. The insignificant result means that the rise and fall of the Dow Jones index cannot affect the rate of rise and fall in the return of shares in LQ45 companies on the Indonesia Stock Exchange.

The Effect of Company Size on Stock Returns

Based on the results of the estimation that has been carried out, it is found that the results of the GMM estimation test for the Firm Size (SIZE) variable have a positive and insignificant effect on Stock Return (SR). The coefficient value is 0.0034 to 0.0191 which means that every increase in SIZE of one percent, it will cause an increase and not consistently cause a significant change in Stock Return of 0.0034 to 0.02 percentage points.

The results of the estimation obtained in this study are in line with the results of the research of Prawiro et al. (2022) showing that firm size has a positive and insignificant effect on stock returns. Investors can see the company's stock return rate through firm size, because the larger the company's size, the greater the rate of return on stock to investors. Large companies show that the company has a lot of assets that can be used to provide returns to investors. This result is in line with the research of Hartanto et al. (2022) showing that firm size has a positive and insignificant effect on stock returns. Insignificant returns mean that when buying stocks, investors usually don't consider the size of the company. This is because the growth of a company is not only in terms of size. Even if the company has large assets, if business activities are not managed properly, the company will not generate much profit. Therefore, the size of the company will not be able to predict the amount of profit the company will make and the return that the investor will earn.

According to Schrank (2022), the size of a company is seen from the amount of equity value, company value, or the results of the total asset value of a company which provides an overview of the number of assets owned by the company so that in this case it becomes an assessment for investors before investing in a company. Total assets are used as an indicator of company size because of their long-term nature. Larger companies tend to have higher stock returns where larger companies have greater resources, so they can generate higher profits. In addition, larger companies also have a better reputation, making them more attractive to investors. The more investors intend to buy shares of a large company, the price of the company's shares will increase and the rate of return on the stock will also increase.

From the overall results of GMM estimation in this study, it is proven that firm size (SIZE) has a positive and insignificant effect on stock returns. This is in accordance with the hypothesis proposed and the existing theory, which refers to the conclusion that an increase in firm size will increase the level of stock return. And vice versa, when conditions decline in SIZE, it will reduce the stock return level of LQ45 companies on the Indonesia Stock Exchange. However, the results of the estimate show that SIZE has a not significant effect on stock returns. This means that the increase and decrease in SIZE cannot affect the rate of increase and decrease in stock returns in LQ45 companies on the Indonesia Stock Exchange

The Effect of Debt to Equity Ratio on Stock Returns

Based on the results of the estimation that has been carried out, it is found that the results of the GMM estimation test for the Debt to Equity Ratio (DER) variable have a positive and significant influence on Stock Return (SR). The coefficient value is 0.0260 to 0.0342 which means that every increase in DER by one percent, will cause a significant increase in Stock Return of 0.0260 to 0.0342 percent.

The results of the estimation obtained in this study are in line with the results of Maulana et al.'s (2025) research shows that the debt to equity ratio has a positive and significant effect on stock returns, debt to equity is a financial ratio that compares liabilities with equity to measure investment returns in companies. The test results show that the debt to equity ratio has a positive effect on stock returns. This condition shows the percentage of funds given by shareholders to the lender. The higher the debt to equity ratio, the lower the company's funding provided by shareholders. From the perspective of the ability to pay long-term liabilities, the lower the debt-to-equity ratio, the better the company's ability to pay its long-term obligations. This means that an increase in the debt to equity ratio will increase stock returns. With increased profits, the company is able to pay off the borrowed debt and the remaining debt payments will increase the company's capital and this will attract investors to invest their capital because the company is considered to have good performance.

This result is in line with The et al. (2022) research which shows that the debt to equity ratio has a positive and significant effect on stock returns. The results of the study show that DER has a positive influence on stock returns. This reflects that with the use of debt, the company is able to make optimal use of it, so that there is a profit and return generated that is greater than using its own capital.

From the overall results of GMM estimation in this study, it is proven that the Debt to Equity Ratio (DER) has a significant positive influence on stock returns. This is in accordance with the hypothesis proposed and the existing theory, which refers to the conclusion that an increase in DER, there will be an increase in the level of stock return. And vice versa, when conditions are down, it will reduce the stock return rate in LQ45 companies on the Indonesia Stock Exchange.

The Effect of Return on Assets on Stock Returns

Based on the results of the estimation that has been carried out, it is found that the results of the GMM estimation test for the Return on Assets (ROA) variable have a positive and insignificant effect on Stock Return (SR). The coefficient value is 0.0579 to 0.2166 which means that every increase in ROA of one percent, will cause an increase and not consistently cause significant changes in Stock Return of 0.06 to 0.22 percent.

The results of the estimation obtained in this study are in line with the results of the research of Tiarawati & Hertina (2024) showing that the results that return on assets (ROA) has a positive influence on stock returns. The higher the level of financial profitability of the company, the stronger the company's ability to make a profit, the higher the level of investor confidence which affects the high demand for company shares in the capital market which directly affects the high stock return.

The results of this estimate are also in line with the research of Oladutire & Agbaje (2019), showing that return on assets (ROA) has a insignificant effect on stock returns. This condition illustrates that, although the average company's profit continues to increase every year, this is not necessarily followed by a high return on assets. This happens because the high value of the assets stored in the company is not followed by an increase in the company's assets to generate profits. ROA only displays the effectiveness of the company by using the company's

operations as a whole. In addition, ROA is rarely a consideration for investors because investors pay more attention to the indicators of each stock to predict stock price movements.

From the overall results of GMM estimation in this study, it proves that Return on Assets (ROA) has a positive and insignificant influence on stock returns. This is in accordance with the hypothesis proposed and the existing theory, which refers to the conclusion that an increase in ROA, there will be an increase in the level of stock return. And vice versa, when the condition of the ROA decreases, it will reduce the stock return rate of the LQ45 company on the Indonesia Stock Exchange. However, the results of the estimate show that ROA has a insignificant effect on stock returns. This means that the increase and decrease in DER cannot affect the rate of increase and decrease in the return of shares in LQ45 companies on the Indonesia Stock Exchange.

The Effect of Return on Equity on Stock Returns

Based on the results of the estimation that has been carried out, it is found that the results of the GMM estimation test for the Return on Equity (ROE) variable have a positive and insignificant influence on Stock Return (SR). The coefficient value is 0.0090 to 0.0404 which means that every increase in ROE of one percent, will cause an increase and not consistently cause significant changes in Stock Return of 0.0090 to 0.0404 percent. The results of the estimation obtained in this study are in line with the results of the research of Gautam et al. (2024) showing that the return on equity (ROE) has a positive influence on stock returns. Return on equity (ROE) measures the effectiveness of management based on the return results generated from sales and investment activities. An investor looks at how far a company's ability to manage its own capital is to generate net profit. The higher the interest of investors to invest their capital in companies with high return on equity, it will increase the stock price and then it will increase the rate of return on stock. Return on equity is a financial ratio that describes the company's performance by using its capital to generate net profit, thereby giving a positive signal to investors to provide their capital and increase the return on shares earned by the company. Therefore, the greater the return on equity, the greater the return on shares obtained by the company. The results of this estimate are also in line with the research of Hertina & Saudi (2019), showing that return on equity (ROE) has a insignificant effect on stock returns. ROE has no effect on stock returns because return on equity cannot provide measurement results in the form of dividends or capital gains (losses), so it cannot measure the actual returns obtained by investors.

From the overall results of GMM estimation in this study, it is proven that Return on Equity (ROE) has a positive and insignificant influence on stock returns. This is in accordance with the hypothesis proposed and the existing theory, which refers to the conclusion that an increase in ROE, will increase the level of stock return. And vice versa, when the ROE decreases, it will reduce the stock return rate of LQ45 companies on the Indonesia Stock Exchange. However, the estimated results show that ROE has a insignificant effect on stock returns. This means that the increase and decrease in ROE cannot affect the rate of increase and decrease in stock returns in LQ45 companies on the Indonesia Stock Exchange

CONCLUSION

The study concluded that the BI rate had both positive and negative significant effects on stock returns of LQ45 companies, while inflation and exchange rates showed a significant negative impact. The Dow Jones index had a negative but insignificant effect, company size and profitability indicators (ROA and ROE) showed positive yet insignificant effects, and the Debt-to-Equity Ratio significantly and positively influenced stock returns. Future research

could expand the scope by examining additional macroeconomic variables, incorporating longer time frames, or comparing LQ45 companies with other stock indices to provide broader insights into the determinants of stock returns in the Indonesian capital market.

REFERENCES

AlZou'bi, M. J., Bashatweh, A. D & Khader, L. F. A. (2020). The Influence of Capital Structure on Stock Returns–An Empirical Study on Industrial Companies. Research in World Economy, 11(6), 362–370.

Amalia, S. & Mardiansah, A. (2021). Does Stock Return Influenced by Macroeconomic Factors?. Review of International Geographical Education (RIGEO), 11(5), 1082–1091.

Amarkhil, D. K. (2021). Effect of Exchange Rate on Stock Return (Pakistan Stock Exchange 100 Index). Novateur Publications: JournalNX- A Multidisciplinary Peer Reviewed Journal, 7(1), 297–310.

Anwar, C. J., Suhendra, I., Ginanjar, R. A. F., Purwanda, E., & Kholishoh, L. N. (2022). Monetary Policy Efficiency, Financial Market Development and Financial Stability in Developing Countries. International Journal of Economics & Management, 16(3), 271–284.

Anwar, C. J., Suhendra, I., Imansyah, T., Zahara, V. M., & Chendrawan, T. S. (2023). GDP Growth and FDI Nexus in ASEAN-5 Countries: The Role of Macroeconomic Performances. JEJAK, 16(1).

Ardyansyah, F., Sari, K., Amalia, M. M., Kusumastuti, R. & Malik, R. A. (2022). Effect of Return on Equity and Firm Size on Stock Return in Coal Mining Companies. Budapest International Research and Critics Institute-Journal, 5(2), 9957–9963.

Arellano, M. & Bond, S. (1991). Some Tests of Specification for Panel Data: Monte Carlo Evidence and an Application to Employment Equations. The Review of Economic Studies, 58(2), 277–297.

Asiedu, E. L, Gyimah, D. M., Kamasa, K. & Otoo, H. (2021). Interest Rate, Inflation and Stock Market Performance in Ghana: A Sector Based Vector Error Correction Model Perspective. African Journal of Business and Economic Research, 16(1), 185–206.124

Bank Indonesia. 2024, Data BI Rate dan Nilai Tukar. https://www.bi.go.id. Di akses pada tanggal 31 Desember 2024.

Badan Pusat Statistik. 2024, Data Tingkat Inflasi. https://www.bps.go.id. Di akses pada tanggal 31 Desember 2024.

Bursa Efek Indonesia. 2024. Data Keuangan Perusahaan LQ45. https://www.idx.co.id. Di akses pada tanggal 31 Desember 2024.

Budi, B. S, & Faizin, M. (2024). The Effect of Macroeconomic Variables on Stock Returns of The Jakarta Islamic Index: A Panel Vector Error Correction Model Approach. Etihad: Journal of Islamic Banking and Finance, 4(1), 1– 16.

Cahyanti, I. R., Janwari, Y., Solehudin, E. & Jubaedah, D. (2024). The Effect of Interest Rates and Inflation on Islamic Stock Return in Companies Listed on The Jakarta Islamic Index. Airlangga International Journal of Islamic Economics and Finance, 7(01), 15–28.

Chiang, C. S, Sembel, R. & Malau, M. (2024). The Effect of Financial Performance and Market Return on Stock Return With GDP Growth As a Moderating Variable. International Journal of Business, Economics and Law, 31(1), 102–111.

Damajanti, A., Yulianti, & Rosyati. (2018). The Effect of Global Stock Price Index and Rupiah Exchange Rate on Indonesian Composite Stock Price Index (CSPI) in Indonesian Stock Exchange (IDX). Economics & Business Solutions Journal, 2(2), 49–58.

Data Indeks Dow Jones (Dow Jones Industrial Average) dan Harga Saham Perusahaan LQ45. https://finance.yahoo.com. Di akses pada tanggal 6 Januari 2025.

Daud, I, & Sihombing, P. (2022). Determinant Analysis of Macroeconomic Effect on Bank Stock Return Book 4 on the Indonesia Stock Exchange. Budapest International Research and Critics Institute-Journal, 5(2), 506–519

Odhiambo, J. D., Murori, C. K., & Aringo, C. E. (2025). Financial leverage and firm performance: An empirical review and analysis. East African Finance Journal, 4(1), 25–35.

Rahayu, P., Lestari, D. I. S., & Pandin, M. Y. R. (2024). The Effect of Risk Management in Improving Portfolio Performance on LQ45 Stocks in the Indonesian Capital Market. Jurnal Ilmiah Ekonomi Global Masa Kini, 15(2), 98–104.

The IDX has 45 stock index classifications, one of which is the LQ45 Index. The LQ45 Index consists of 45 companies selected based on certain criteria, including a high level of liquidity (Joshua, 2025)Joshua, S. (2025). The Effect of Liquidity, Profitability, and Solvency on Stock Prices in LQ-45 Companies Listed on The Indonesia Stock Exchange (IDX) For The Period 2020-2022. Journal of Applied Accounting and Sustainable Finance, 1(1), 54–68.

Wardani, O. N., & Yusniar, M. W. (2024). The Impact of the New Normal Era on Investor Trading Behavior: Evidence from the IDX Capital Market School, Central Kalimantan Province, Indonesia. Open Access Indonesia Journal of Social Sciences, 7(5), 1732–1743.

When making investment decisions, two factors must be considered: risk and return. According to AlZou'bi et al. (2020), return is the wealth generated from a specific level of risk, allowing efficient cMusyoka, N., & Ocharo, K. N. (2018). Real interest rate, inflation, exchange rate, competitiveness and foreign direct investment in Kenya.

Wibowo, R. S., Alamsyah, A. R., & Rachmawati, I. K. (2023). The Effect of Fundamental Factors and Systematic Risk on the Return of LQ45 Shares Listed on the Indonesia