

ABSTRACT

In dynamic market conditions, fluctuations in stock prices lead to problems of investment risk uncertainty and decreased investment interest. This study aims to analyze the effect of liquidity on stock returns in banking sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2021-2023. Focusing on liquidity proxied by stock trading volume as well as other variables such as market capitalization, asset growth, Return on Assets (ROA) profitability, and Price-to-Book Value (PBV) to find out how these factors affect stock returns in the banking sector.

This research method uses a quantitative approach with multiple linear regression analysis techniques. The research sample consists of 44 banking companies listed on the IDX in the 2021-2023 period using purposive sampling technique. Secondary data with total of 110 observations were obtained from Bloomberg and other relevant sources. The classical assumption test is carried out to ensure the validity of the model before regression analysis is carried out.

The results showed that ROA has a positive and significant effect on stock returns, while trading volume, market capitalization, ROA, and PBV did not show a significant effect on stock returns. This study encountered problems of extreme observations, could not use variable transformation during data processing, and the effect of independent variables to the dependent variable was small. Future research is recommended to expand the scope of non-financial samples and add other variables such as other liquidity ratios that can affect stock returns more comprehensively.

Keywords: liquidity, trading volume, market capitalization, asset growth, ROA, PBV, stock returns