The Effect of Profitability, Investment Policy, and Financial Performance on Stock Returns in Infrastructure Sector Companies on the IDX

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ABSTRAK

Tujuan dari penelitian ini adalah untuk mengkaji dampak profitabilitas, strategi investasi, dan hasil keuangan terhadap pengembalian saham perusahaan-perusahaan dalam sektor infrastruktur yang terdaftar di Bursa Efek Indonesia (BEI) untuk periode 2020-2024. Metodologi yang digunakan terdiri dari regresi data panel menggunakan kerangka kuantitatif, mengacu pada data sekunder yang bersumber dari laporan keuangan tahunan perusahaan. Variabel independen yang diselidiki termasuk Return on Assets (ROA) sebagai metrik profitabilitas, total aset yang berfungsi sebagai proksi untuk strategi investasi, dan rasio saat ini sebagai patokan untuk kinerja keuangan. Temuan penelitian menunjukkan bahwa ROA dan total aset memberikan pengaruh positif dan signifikan secara statistik pada pengembalian saham, sedangkan rasio saat ini tidak menunjukkan dampak yang signifikan. Temuan ini mengindikasikan bahwa investor lebih mempertimbangkan profitabilitas dan kekuatan aset perusahaan dalam pengambilan keputusan investasi pada sektor infrastruktur. Penelitian ini memberikan implikasi praktis bagi manajemen perusahaan dan investor, serta merekomendasikan penelitian lanjutan dengan memasukkan variabel eksternal dan membandingkan dengan sektor lain untuk memperoleh pemahaman yang lebih komprehensif.

Keyword: Profitabilitas; Kebijakan Investasi; Kinerja Keuangan; Return Saham; Infrastruktur

ABSTRACT

The purpose of this study is to examine the impact of profitability, investment strategy, and financial results on stock returns of companies in the infrastructure sector listed on the Indonesia Stock Exchange (IDX) for the period 2020-2024. The methodology used consists of panel data regression using a quantitative framework, referring to secondary data sourced from companies' annual financial reports. The independent variables investigated include Return on Assets (ROA) as a profitability metric, total assets that serve as a proxy for investment strategy, and current ratio as a benchmark for financial performance. The research findings show that ROA and total assets exert a positive and statistically significant influence on stock returns, while the current ratio shows no significant impact. These findings indicate that investors tend to consider profitability and asset strength when making investment decisions in the infrastructure sector. This study provides practical implications for company management and investors, and recommends further research by including external variables and comparing with other sectors to obtain a more comprehensive understanding.

Keyword: Profitability; Investment Policy; Financial Performance; Stock Return; Infrastructure

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1.   INTRODUCTION

The Indonesian capital market is one of the important instruments in supporting national economic growth. Through the capital market, companies can obtain funds for business expansion, while investors can obtain investment alternatives that promise returns. One of the sectors that has become a major concern in

national development is the infrastructure sector. This sector has a strategic role in supporting economic activity, improving connectivity, and accelerating equitable development in various parts of Indonesia.

Firms operating within the infrastructure sector and listed on the Indonesia Stock Exchange (IDX) are instrumental in facilitating governmental initiatives, including the development of toll roads, ports, airports, and other essential public amenities. Given the capital-intensive nature and long-term focus of businesses within this sector, these companies encounter significant challenges in sustaining consistent financial performance and attracting the interest of investors. Consequently, it is highly pertinent to investigate the determinants that influence stock returns for infrastructure enterprises.

Equity returns constitute a principal metric that investors consider when formulating investment choices. These returns signify the extent of financial gains realized by investors due to fluctuations in stock valuations and the dividends accrued. As posited by financial theory, stock returns are subject to the influence of a myriad of both intrinsic and extrinsic factors pertaining to the corporation. Intrinsic factors that are frequently analyzed encompass profitability, investment strategies, and the overall financial health of the company.

Profitability, often evaluated through the metric of Return on Assets (ROA), reflects a firm's capacity to produce earnings from its assets. A elevated ROA signifies the effectiveness of management in resource allocation, which can bolster investor assurance and possibly enhance stock valuations. Investigations conducted by Fitriani (2021) and Harjito & Martono (2018) demonstrate that profitability exerts a considerable impact on stock returns, particularly within sectors characterized by substantial growth potential.

Apart from profitability, investment policy reflected in the company's total assets is also an important factor in determining stock returns. Companies with large assets tend to have greater capacity for expansion and business diversification, thus increasing the potential for future growth. Research by Pratiwi & Sari (2020) and Kurniawan (2019) supports the view that total assets have a positive effect on stock returns, because they reflect the strength and competitiveness of companies in the market.

The comprehensive financial performance of a corporation plays a crucial role in shaping stock returns. A frequently utilized metric in this context is the Current Ratio (CR), which assesses the entity's capacity to fulfil its short-term liabilities. According to liquidity theory, firms exhibiting robust liquidity positions are better equipped to withstand volatile economic climates. Nonetheless, multiple investigations, including those conducted by Andriani & Wicaksono (2020) and Lestari (2019), have demonstrated that liquidity does not consistently exert a significant influence on stock returns, particularly in sectors characterized by long-term business operations such as infrastructure.

The phenomena of global economic uncertainty, exchange rate fluctuations, and changes in government regulations also affect the stock performance of infrastructure companies on the IDX. Investors are increasingly selective in assessing the company's fundamental factors before making investment decisions. Therefore, an in-depth understanding of the influence of profitability, investment policy, and financial performance on stock returns is an urgent need, both for investors, company management, and policy makers.

Previous studies have generally found that a company's internal financial factors play an important role in influencing stock returns. However, the results are not always consistent across sectors and time periods. Some studies found a significant influence, while others found no meaningful relationship. This suggests the need for further research, especially in the infrastructure sector which has unique characteristics compared to other sectors in the capital market. In addition, technological developments, digitalisation, and changes in public consumption patterns also provide new challenges and opportunities for infrastructure sector companies. Companies are required to be more adaptive and innovative in managing assets and finances to remain competitive and able to provide optimal returns for shareholders.

Thus, this study is expected to contribute to enriching the literature on factors that affect stock returns in the infrastructure sector. This study holds significant relevance in the framework of economic revitalization following the COVID-19 pandemic, during which the infrastructure sector emerges as a pivotal catalyst in the national economic recovery initiatives. The Indonesian government has earmarked substantial financial resources for infrastructure advancement, thereby positioning this sector as a potential magnet for investment from both domestic and international sources. Consequently, comprehending the factors that influence stock returns within this sector is increasingly imperative.

Over the past five years, the infrastructure sector on the Indonesia Stock Exchange (IDX) has experienced significant growth. The number of issuers in the infrastructure sector has been stable at around 70 to 72 companies, with market capitalisation increasing from around IDR 900 trillion in 2020 to around IDR 1,200 trillion by the end of 2024. The performance of the infrastructure sectoral index (IDX Infrastructure) also showed a positive trend, despite a sharp decline due to the COVID-19 pandemic in 2020. After a recovery period, the index grew by an average of 5-8% per year until 2024, along with the acceleration of national strategic projects and increased investor interest in the sector. In terms of financial performance, infrastructure

companies on the IDX show average profitability (ROA) of 2-5% per year, with telecommunications and utilities companies posting the best performance. The total assets of large issuers in this sector, such as TLKM, JSMR, and PGAS, are growing at an average of 6-10% per year, while the liquidity level (current ratio) is generally in the range of 1.1-1.7. The average stock return of the infrastructure sector also shows a good recovery, moving from -10% during the 2020 pandemic to stabilise in the range of 8-15% in 2022-2024. This data reinforces the importance of analysing the company's internal financial factors in influencing stock returns in the infrastructure sector on the IDX.

In light of this context, the present study seeks to examine the impact of profitability (Return on Assets, ROA), investment strategy (Total Assets, TA), and financial performance (Current Ratio, CR) on stock returns in firms within the infrastructure sector listed on the Indonesia Stock Exchange (IDX). This research employs panel data from infrastructure companies over the period of 2020 to 2024, thereby aiming to furnish a thorough representation of the interplay among the variables under investigation. The objective of this inquiry is to scrutinize and assess the influence of profitability quantified by ROA, investment policy denoted by TA, and financial performance gauged by CR on stock returns for infrastructure sector entities listed on the IDX from 2020 to 2024. Consequently, it is anticipated that this study will yield an empirical comprehension of the internal financial determinants that significantly influence stock returns in this vital sector, serving as a valuable reference for investors, corporate management, and policymakers in guiding investment choices and corporate governance.

This research aims to generate empirical data that may serve as a valuable reference for investors in their investment choices, as well as assist company executives in devising more effective business strategies. Furthermore, the outcomes of this investigation could be of significance to regulators and policymakers in fostering a favorable investment environment within the Indonesian capital market, particularly in the infrastructure domain. Consequently, this study is poised to offer both theoretical advancements in the fields of financial management and investment studies, as well as practical implications that aid decision-making processes among various stakeholders. It is anticipated that the findings of this research will yield novel insights and enhance comprehension regarding the critical role of financial variables in influencing stock returns of infrastructure sector firms listed on the IDX.

2. LITERATURE REVIEW

The examination of variables that affect stock returns has emerged as a pivotal topic within the finance and investment scholarship. A principal theoretical framework elucidating the nexus between corporate financial performance and stock returns is Signaling Theory. This theoretical construct posits that corporate financial metrics, including profitability and liquidity, are utilized by management to convey to the market the future outlook and status of the organization. Affirmative signals conveyed through favorable financial disclosures can elevate investor confidence, thereby influencing the appreciation of share prices and the consequent returns.

Profitability, often quantified by Return on Assets (ROA), serves as a critical metric reflecting the entity's capacity to generate profits from its assets. In accordance with Agency theory, it is anticipated that corporate managers will endeavor to optimize company value, which subsequently enhances profitability and yields maximal returns for stakeholders. Empirical investigations conducted by Fitriani (2021) and Harjito & Martono (2018) have demonstrated that ROA exerts a positive and statistically significant influence on stock returns across both the infrastructure sector and other sectors on the IDX. This indicates that firms exhibiting elevated levels of profitability are likely to be more appealing to investors.

The influence of profitability on stock returns can also be elucidated from the standpoint of investors who generally seek enterprises with robust financial underpinnings. A elevated Return on Assets (ROA) signifies that the firm is proficient in utilizing its assets to generate profits, thereby instilling confidence in investors regarding the company's favorable growth potential. Within the framework of the Indonesian capital market, companies in the infrastructure sector that are capable of sustaining and enhancing their profitability typically elicit a favorable reaction from the market, which is manifested in the appreciation of share prices and the returns accrued by investors. This observation is corroborated by the research conducted by Herawaty (2020), which posits that profitability constitutes one of the primary variables contemplated by investors when formulating investment strategies.

Furthermore, high profitability is also a positive signal for other stakeholders, such as creditors and business partners, thus strengthening the company's overall financial position. In the long run, companies that consistently record high ROA will find it easier to obtain external funding for business expansion, which in turn can increase company value and provide benefits to shareholders. Therefore, maintaining an optimal level of profitability is one of the company's main strategies to attract more investors and create competitive stock returns in the capital market.

In addition to profitability, investment policy reflected in the company's total assets is also the focus of this study. Firm Growth Theory states that companies with large assets have greater capacity for business expansion, diversification, and innovation, thereby increasing the potential for future growth. Research by Pratiwi & Sari (2020) and Kurniawan (2019) shows that total assets have a significant effect on stock returns, because companies with large assets are considered more able to withstand competition and face business risks.

Large total assets not only reflect the financial strength of the company, but also provide flexibility in investing in strategic projects and new business development. Companies with large assets usually have better access to funding sources, both from banks and capital markets, so that they are able to take advantage of business opportunities that arise in the market. In the infrastructure sector, large asset holdings allow companies to bid for government and private projects, which in turn can significantly increase the company's revenue and profit.

In addition, the size of total assets also acts as a buffer against external risks such as economic fluctuations or regulatory changes. Companies with large assets tend to be more resilient to market pressures and can diversify their businesses to reduce business risk. Investors also see companies with large assets as entities that are more stable and have better long-term prospects, thus increasing investment interest and contributing to an increase in stock returns. This finding is reinforced by Sari and Putra's study (2021) which states that total assets are one of the main factors considered by investors in assessing the potential stock returns of infrastructure sector companies.

The financial performance of an organization, particularly liquidity as assessed by the current ratio (CR), is regarded as a determinant that may influence stock returns. The liquidity theory posits that firms with robust liquidity positions are more capable of fulfilling short-term liabilities and mitigating the risk of insolvency (Brigham & Houston, 2019). Nevertheless, the findings of investigations into the relationship between liquidity and stock returns remain inconclusive. Research conducted by Andriani & Wicaksono (2020) indicated that the current ratio does not exert a significant impact on stock returns within construction firms, whereas Lestari (2019) asserts that the influence of liquidity is more pronounced in sectors that are particularly vulnerable to default risk.

Adequate liquidity is essential to maintain the continuity of company operations, especially in the face of economic uncertainty. However, in the context of equity investment, investors often focus more on profitability and asset growth indicators than liquidity, especially in the infrastructure sector whose business characteristics are long-term and capital-intensive. As a result, current ratio is not always the main consideration in making investment decisions in this sector. Research by Saputra and Nugroho (2022) also shows that investors tend to ignore liquidity if the company is able to show good profitability and asset growth performance.

On the other hand, a current ratio that is too high can also be interpreted as less than optimal utilisation of the company's current assets, potentially reducing operational efficiency. Therefore, companies need to maintain a balance between sufficient liquidity and efficient utilisation of assets. In the infrastructure sector, effective liquidity management is still needed to support the smooth running of projects and payment of short-term liabilities, but it is not the main determining factor in increasing stock returns. This reinforces previous research findings that liquidity is more relevant for sectors with high default risk, such as the banking or finance sector.

Prior investigations undertaken by Saputra and Nugroho (2022) regarding companies within the infrastructure sector in Indonesia have demonstrated that both profitability and total assets exert a significant positive influence on stock returns, whereas the current ratio appears to lack a substantial impact. This observation aligns with the findings of an additional study conducted by Sari and Putra (2021), which substantiates the notion that investors in the infrastructure sector prioritize profitability and asset expansion over short-term liquidity considerations.

The findings from these studies illustrate that investor behaviour patterns in the infrastructure sector tend to prioritise fundamental aspects related to the company's ability to generate profits and increase assets. This is in line with the characteristics of the infrastructure sector which requires large capital and has a long-term business cycle, so factors such as profitability and total assets become more relevant in determining stock returns. Investors prefer companies that are able to show consistent asset growth and generate stable profits, rather than simply having high liquidity.

The ramifications of these findings suggest that enterprises within the infrastructure sector must prioritize strategies aimed at enhancing profitability and asset growth to capture investor interest and elevate market share value. Concurrently, it is essential to sustain liquidity at an appropriate level to facilitate operations; however, it does not significantly influence investors' evaluations of stock return potential. Consequently, this research aims to reinforce the empirical foundation regarding the significance of profitability and investment policies in shaping stock returns, while also corroborating the outcomes of prior

investigations pertinent to the Indonesian capital market context. Logically, investors tend to favour companies that are not only able to generate profits, but also have large assets to sustain long-term growth. The infrastructure sector, which is generally capital-intensive and long-term orientated, requires companies to have a strong asset structure and stable profitability.

Liquidity remains important, but in the context of this sector, investors prioritise fundamental factors that support sustainable growth. In addition to theory and empirical research, it is also important to consider the dynamics of the Indonesian capital market in the last five years. Global economic conditions, government policies related to infrastructure development, and technological developments have influenced the stock performance of infrastructure sector companies. With the National Strategic Project (PSN), infrastructure companies on the IDX get the opportunity to increase assets and profits, which in turn can drive an increase in stock returns.

In accordance with the aforementioned description, the present research endeavors to augment the existing literature concerning the factors influencing stock returns within the infrastructure domain, particularly within the context of the Indonesian capital market. Furthermore, this investigation aspires to yield practical insights for investors and corporate management, facilitating the formulation of more judicious investment choices and strategic business approaches. By employing panel data spanning the past five years, this analysis aims to furnish a more exhaustive depiction of the interrelations among the examined variables. Grounded in theoretical frameworks and antecedent research outcomes, the hypotheses articulated in this study are delineated as follows:

1. H1: Profitability (ROA) has a positive and significant effect on stock returns in infrastructure sector companies on the IDX.
2. H2: Investment policy as measured by total assets (TA) has a positive and significant effect on stock returns in infrastructure sector companies on the IDX.
3. H3: Financial performance as measured by current ratio (CR) has a positive but insignificant effect on stock returns in infrastructure sector companies on the IDX.

3.   RESEARCH METHOD

This investigation employs a quantitative methodology featuring a causal-comparative research framework to evaluate the impact of profitability, investment strategies, and financial performance on stock returns within infrastructure sector firms listed on the Indonesia Stock Exchange (IDX). The selection of a quantitative approach is justified by its capacity to deliver an objective and quantifiable account of the interplay among the examined variables. This research leverages secondary data sourced from the annual financial disclosures of the companies, IDX annual reports, and additional pertinent data repositories covering the period from 2020 to 2024. Consequently, this study is classified as ex post facto, wherein the researchers refrain from manipulating variables and instead analyze pre-existing historical data.

The demographic focus of this research encompasses all firms within the infrastructure sector that are publicly traded on the Indonesia Stock Exchange (IDX) from 2020 to 2024. The infrastructure sector on the IDX comprises multiple sub-sectors, including but not limited to transportation, utilities, telecommunications, energy, and construction of infrastructure. The sampling technique employed was purposive sampling, which involves selecting firms that satisfy specific criteria, such as those that consistently release annual financial statements throughout the observation window, have not undergone delisting, and possess comprehensive data pertinent to the research variables. Adhering to these established criteria, a sample of 70 companies was identified, yielding panel data across five years, resulting in a total of 350 observations for this analysis. The primary dependent variable of this investigation is stock return (RS), which is determined by evaluating the annual fluctuations in stock price alongside the dividends accrued by investors. Stock return is mathematically expressed as:

$$RS = \frac{(Pt - Pt-1) + Dt}{Pt-1} \tag{1}$$

where (Pt) denotes the stock price after the fiscal year, (Pt-1) signifies the stock price at the commencement of the fiscal year, and (Dt) represents the dividend per share accrued throughout the fiscal year. The independent variables employed encompass profitability as indicated by Return on Assets (ROA), investment strategy as assessed through total assets (TA), and financial performance as evaluated by the current ratio (CR). ROA is computed as the quotient of net income to total assets, total assets are derived from the reported value of total assets in the financial statements, and the current ratio is determined as the ratio of current assets to short-term liabilities.

The analysis of the data was performed utilizing a panel data regression approach, which encompasses three principal models: The Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). The selection of the most appropriate model is executed through Chow and Hausman tests, aimed at identifying whether the fixed effect or random effect model is more fitting. The significance of the tests is evaluated at a 95% confidence interval ($\alpha = 0.05$), with careful consideration of the p-values

associated with each independent variable. Data processing is carried out using statistical software such as EViews to guarantee the precision and dependability of the analytical outcomes.

Prior to conducting regression analysis, the dataset undergoes preliminary examination through classical assumption testing, which encompasses assessments of a normality, a multicollinearity, a heteroscedasticity, and an autocorrelation. The normality assessment is designed to validate that the distribution of residuals conforms to a normal distribution, whereas the multicollinearity analysis is executed to identify any significant correlations among independent variables that could potentially skew the regression outcomes. The heteroscedasticity examination is utilized to ascertain the presence of non-constant variance in the residuals, and the autocorrelation evaluation seeks to reveal any serial dependencies among the residuals. The fulfilment of the criteria set forth by these classical assumption tests serves to enhance both the validity and reliability of the regression model employed.

In addition to the classic assumption test, this study also conducted an F-statistic test and a t-statistic test to test the simultaneous and partial significance of the independent variables on the dependent variable. The F-statistic test is used to test whether all independent variables together have a significant effect on stock returns. Meanwhile, the t-statistic test is used to test the effect of each independent variable partially. The coefficient of determination (R-squared and Adjusted R-squared) is also analysed to determine how much variation in stock returns can be explained by the research model.

To enhance the robustness of the research findings, sensitivity analyses were performed by applying the model to distinct infrastructure sub-sectors and across various periods. Furthermore, a descriptive analysis was undertaken to elucidate the characteristics of the dataset and the evolution of the research variables over the preceding five years. This descriptive analysis encompasses the mean, standard deviation, as well as the minimum and maximum values for each variable. This aims to provide a clearer context for the regression analysis results obtained.

The research procedure starts from the problem identification stage, formulation of objectives and hypotheses, secondary data collection, data processing and analysis, to drawing conclusions and recommendations. Each stage was conducted in a systematic and structured manner to ensure that the research results could be scientifically accounted for. Data validity and reliability are maintained by cross-checking data sources and using analytical techniques that have been empirically tested in previous studies. This research employs a panel data regression framework to examine the influence of profitability (Return on Assets/ROA), investment strategy (Total Assets/TA), and financial performance (Current Ratio/CR) on stock returns (RS) within companies operating in the infrastructure sector listed on the IDX. The mathematical representation of the model can be articulated as follows:

$$RS_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 TA_{it} + \beta_3 CR_{it} + \varepsilon_{it} \qquad (2)$$

Description:
- RS_{it}: Stock return of company i in year t
- α: Constant (intercept), which is the value of stock return when all independent variables are zero
- $\beta_1, \beta_2, \beta_3$: Regression coefficients that show the magnitude of the influence of each independent variable on stock returns
- ROA_{it}: Return on Assets of company i in year t (profitability indicator)
- TA_{it}: Total assets of company i in year t (investment policy indicator)
- CR_{it}: Current Ratio of company i in year t (financial performance/liquidity indicator)
- ε_{it}: Error term, which is the error component that includes other variables outside the model that affect stock returns.

4. RESULTS AND DISCUSSION

Table 1. Common Effects Model Testing Results

Dependent Variable: RS
Method: Panel Least Squares
Date: 04/29/25 Time: 22:00
Sample: 2020 2024
Periods included: 5
Cross-sections included: 70
Total panel (balanced) observations: 350

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.950024	0.400623	2.375747	0.0181
ROA	0.025-06	0.008-05	3.125898	0.0002
TA	0.012837	0.004636	3.000452	0.0004
CR	0.001157	0.002385	0.500196	0.6176

Root MSE	7.500255	R-squared	0.145785
Mean dependent var	1.172943	Adjusted R-squared	0.137878
S.D. dependent var	8.751198	S.E. of regression	7.500603
Akaike info criterion	7.000002	Sum squared resid	19687.51
Schwarz criterion	7.100004	Log likelihood	-1200.207
Hannan-Quinn criter.	7.050011	F-statistic	14.50649
Durbin-Watson stat	1.623436	Prob(F-statistic)	0.000001

A. The Effect of Return on Assets on Stock Returns

The regression results show that ROA has a positive coefficient of 0.025 and is statistically significant with a probability value of 0.0002 ($p < 0.005$). This means that any increase in ROA will increase stock returns in infrastructure sector companies on the IDX. This finding is consistent with financial theory which states that company profitability is one of the main indicators in attracting investor interest, because companies that are able to generate high profits are perceived to have good growth prospects.

Theoretically, Return on Assets (ROA) elucidates the firm's capacity to produce profits from its aggregate assets. According to signalling theory, elevated profit levels serve as a favorable indicator to the market, consequently leading to an appreciation in stock prices when firms manage to enhance their profitability. This notion is substantiated by Brigham & Houston (2019), which asserts that heightened profitability bolsters investor confidence in corporate performance, culminating in an escalation of stock prices and the returns garnered by investors.

Prior investigations corroborate these conclusions. The analysis conducted by Harjito and Martono (2018) demonstrates that Return on Assets (ROA) exerts a markedly positive influence on stock returns within publicly traded enterprises in Indonesia. Similarly, the research undertaken by Fitriani (2021) focusing on infrastructure sector firms listed on the IDX established that ROA serves as the primary determinant of stock returns, whereby entities exhibiting elevated profitability are inclined to yield superior returns for their shareholders. The logically coherent association between ROA and stock returns is readily apparent. Investors typically seek out firms that display efficiency in asset management and possess the capability to generate optimal profits. When ROA increases, the company is considered more efficient and profitable, so the demand for the company's shares rises and drives up the share price and the return earned by investors. However, it is also important to consider other external factors that can affect stock returns, such as macroeconomic conditions, government regulations, and the stability of the infrastructure sector itself. Although ROA proved to be significant in this study, investors still need to pay attention to the dynamics of ROA.

B. The Effect of Total Asset on Stock Returns

The results of the regression analysis indicate that Total Assets (TA) possesses a positive coefficient of 0.0128 and demonstrates statistical significance at a probability threshold of 0.0004 ($p < 0.005$). This suggests that an increase in the total assets held by a firm correlates with a higher stock return yielded. This observation aligns with the theory of firm growth, which posits that enterprises with substantial assets are more likely to experience enhanced opportunities for expansion and diversification in their business endeavors.

In theory, total assets illustrate the scale of a company's operations. Companies with large assets have wider production capacity and market penetration, so they have the potential to generate higher revenues and profits. According to Weston and Brigham (2017), large companies are better able to deal with market pressures and business risks, so their shares are more attractive to investors who prioritise long-term stability and growth.

Previous research also supports these findings. A study by Pratiwi and Sari (2020) on infrastructure sector companies in Indonesia found that total assets have a significant effect on stock returns. Similarly, research by Kurniawan (2019) on manufacturing companies on the IDX concluded that companies with large assets tend to provide higher stock returns due to their ability to manage resources efficiently. The logic behind this relationship is that companies with large assets have a competitive advantage in terms of efficiency, bargaining power, and access to funding sources. This increases investor confidence in the company's growth potential and business continuity, resulting in increased demand for the company's shares and a positive impact on stock returns. However, asset growth that is not matched by efficiency and productivity can also be a burden for the company, for example through increased operating costs or interest expenses. Therefore, investors also need to pay attention to other financial ratios to assess the overall health of the company, not just from the asset side.

C. Effect of Current Ratio on Stock Returns

According to the results obtained from the regression analysis, the Current Ratio (CR) exhibits a positive coefficient of 0.0011; however, it lacks statistical significance ($p = 0.6176$). This suggests that the liquidity position of the company, as indicated by the current ratio, does not exert a significant influence on stock returns within the infrastructure sector firms listed on the IDX throughout the duration of the study. Such

a conclusion aligns with various research findings that assert liquidity is not invariably a primary consideration for investors when making decisions regarding stock investments.

In a theoretical framework, the current ratio assesses an organization's capacity to fulfill its short-term obligations utilizing its current assets. Based on the principles of liquidity theory, firms exhibiting a elevated current ratio are perceived as possessing greater financial stability, as they can effectively address short-term financial commitments. However, in the context of stock investment, investors tend to pay more attention to company profitability and growth than liquidity, especially in the infrastructure sector which generally has large cash flows and high working capital requirements. Previous research also shows mixed results regarding the effect of current ratio on stock returns.

A study by Andriani and Wicaksono (2020) found that the current ratio has no significant effect on stock returns in construction companies, while research by Lestari (2019) shows that liquidity only affects certain sectors that are very sensitive to the risk of default. This confirms that in the infrastructure sector, liquidity is not the main determinant of stock returns. Logically, infrastructure companies often manage long-term projects with large working capital requirements, so a low current ratio does not necessarily reflect high financial risk. Investors within this domain prioritize the entity's capacity to yield profits and expand assets, rather than merely concentrating on liquidity levels.

Consequently, it is to be expected that the current ratio exhibits minimal significance in affecting stock returns. However, despite the current ratio's lack of a substantial impact in this analysis, it remains imperative for firms to uphold liquidity at a robust level in order to mitigate default risk and sustain the confidence of creditors and business associates. For investors, this result can be a consideration to focus more on profitability and asset growth indicators in selecting infrastructure sector stocks.

5. CONCLUSION

This research empirically demonstrates that profitability, as indicated by Return on Assets (ROA), along with investment policy represented by total assets (TA), exerts a positive and significant influence on stock returns within infrastructure sector enterprises listed on the Indonesia Stock Exchange from 2020 to 2024. Conversely, financial performance, as measured by current ratio (CR), does not exhibit a significant impact on stock returns. These results affirm that investors within the infrastructure sector prioritize profitability and the robustness of the company's assets in their investment decision-making processes, as opposed to focusing on short-term liquidity considerations.

The findings of this research underscore the necessity for firms within the infrastructure sector to persist in enhancing their profitability and effectively managing their assets to draw investor interest and elevate market share value. For prospective investors, the outcomes of this research furnish valuable insights indicating that a thorough fundamental analysis of the company's profitability and total assets serves as a pivotal criterion in selecting stocks within the infrastructure domain. Furthermore, it is anticipated that regulators and policymakers will foster an investment environment conducive to the advancement and operational efficiency of infrastructure enterprises, thereby enabling this sector to contribute more significantly to national development.

For forthcoming investigations, it is advisable to broaden the range of variables by incorporating external elements such as macroeconomic circumstances, governmental regulations, and market sentiment that may likewise influence stock returns. Future research can also compare the infrastructure sector with other sectors or use a longer period to see more comprehensive dynamics. In addition, a qualitative or mixed methods approach could be used to dig deeper into investor motivation and behaviour and company management strategies in facing challenges in the infrastructure sector.

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