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## **The Effect of Profitability and Liquidity on The Stock Returns at PT. Kimia Farma Tbk**

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INDEXING	ABSTRACT
<b>Keywords:</b> Keyword 1; Profitability Keyword 2; Liquidity Keyword 3; Stock return	This study seeks to examine the influence of profitability and liquidity on stock returns in PT. The study method utilized is a quantitative approach, specifically employing multiple linear regression analysis. To The stock return variable is calculated by determining the difference between the current year's stock price and the previous year's stock price, thereafter dividing this difference by the prior year's yearly price. The profitability variable is assessed using ROA, while the liquidity variable is evaluated using CR. This research was conducted on PT. Kimia Farma Tbk, utilizing the yearly financial reports from the IDX for the period 2019-2023. The study's findings demonstrated that neither profitability nor liquidity characteristics significantly influenced stock returns. And simultaneously the profitability and liquidity variables do not significantly affect stock returns, as their significance values are negligible. Consequently, variations in profitability and liquidity quality do not influence the company's stock return rate.

### **Article History**

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## **INTRODUCTION**

The capital market serves as a venue for corporations to procure funds, facilitating direct financing of their operations by issuing shares to the public on the stock exchange, sometimes referred to as going public (Pilbeam, 2018). Capital structure optimization is a critical and intricate domain within company financial management, as performance success, viability, and future sustainability hinge on financing decisions (Kontuš *et al.*, 2023). The capital market in Indonesia has evolved swiftly, establishing itself as a vital investment entity that substantially contributes to economic growth. Stock market investors unequivocally seek to achieve earnings and returns (Yanita Sanjaya and Maulida, 2022). Investors in the capital market require both fundamental and technical information. Technique Technical knowledge includes the economic, social, and political conditions of a nation. In addition to focusing on technical information, investors also started to consider fundamental data derived from the company's internal metrics, particularly its financial status, when executing stock transactions on the Indonesia Stock Exchange (Khan and Islam, 2020). Positive working capital is essential for reducing the cost of capital and enhancing corporate profitability (Alarussi and Gao, 2023). The analysis results (Hirdinis, 2019) indicate that capital structure positively influences company value, but firm size negatively impacts firm value.

Financial statements are widely utilized as they are anticipated to furnish potential investors and creditors with the necessary information to make informed selections regarding the allocation of their cash (Bhattacharyya, 2017). Financial performance