

The Effect of Liquidity, Leverage, and Board Gender Diversity on Market Performance

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Submitted: 03/06/2026; Accepted: 08/06/2026; Published: 27/06/2026

Abstract—This study aims to analyze the effect of liquidity, leverage, and board gender diversity on stock return as the proxy for market performance of companies included in the Kompas100 Index on the Indonesia Stock Exchange for the 2020–2024 period. A quantitative causal-associative approach was employed with a sample of 26 companies (130 observations) determined through purposive sampling. Data were analyzed using ordinary least squares regression with IBM SPSS version 26. After natural log transformation and removal of eight outlier observations (final N = 122), all classical assumption requirements were satisfied. The three independent variables constitute a statistically feasible regression model (F-test sig. = 0.019) with an Adjusted R² of 5.7 percent, indicating that stock return of large-capitalization Kompas100 companies is predominantly driven by macro-level and market-wide factors that fall outside the scope of this firm-specific model. Partially, liquidity has a positive and significant effect on stock return a direction contrary to the initial hypothesis, attributable to the dominant positive signaling role of financial health among blue-chip investors; board gender diversity has a negative and significant effect, aligned with the hypothesis; and leverage has no significant effect, consistent with the efficient market pricing of publicly disclosed debt information. Future research is recommended to incorporate macroeconomic variables, expand the sample scope, and apply panel data methods.

Keywords: Board Gender Diversity; Indonesia Stock Exchange; Leverage; Liquidity; Market Performance

1. INTRODUCTION

The Kompas100 Index, jointly published by PT Bursa Efek Indonesia and Harian Kompas, comprises one hundred selected stocks evaluated based on trading liquidity, market capitalization, and fundamental company performance. Its constituents represent approximately 70 to 80 percent of total market value on the exchange, establishing the index as a comprehensive benchmark for Indonesia's capital market. (Agus, 2024) asserts that analysis of the Kompas100 Index is increasingly important because its constituents—companies with the largest market capitalizations and dominant daily transaction values frequently serve as an early barometer of the Indonesian capital market, predicting the direction of the Composite Stock Price Index (IHSG) and providing signals for asset allocation decisions for both retail and foreign investors. Notably, the Kompas100 Index experienced significant return volatility during the 2020–2024 period, shaped by pandemic-driven disruptions, global monetary tightening, and domestic economic recovery, highlighting the importance of identifying firm-level determinants that explain differential stock return performance among these blue-chip companies.

Market performance reflects investor responses to information flows originating from both internal company conditions and external factors such as economic conditions, financial stability, and market sentiment. (Firmansyah, 2025) explain that market performance can be measured through total return—the total gains obtained by investors from investment activities within a given period, reflecting a company's resource management effectiveness and market adaptability. Total return integrates two complementary elements: capital gain, which represents positive or negative changes in secondary market stock prices, and dividend yield, which is the periodic income distributed to shareholders. (Dahlquist & Knight, 2022) affirm that total return accurately reflects how risk and firm performance are perceived by investors, with strongly governed firms typically exhibiting lower risk premiums and stronger excess returns compared to other firms in the same sector.

Liquidity constitutes one of the important factors in stock market activity because it reflects the ease with which investors can execute buy and sell transactions. (Ozenbas et al., 2021) define market liquidity as the ability to trade assets in large volumes quickly, at low cost, and with minimal price impact whenever the market is open. For Kompas100 stocks, high liquidity reflects market efficiency, enabling investors to enter or exit positions without triggering extreme price fluctuations that would adversely affect overall market performance. (Azis & Shin, 2015) further note that surges in global liquidity flowing into emerging markets through the banking sector can simultaneously enhance the market's capacity to absorb large transactions yet create vulnerability when those flows abruptly reverse. From a corporate financial management perspective, (Dahlquist & Knight, 2022) explain that liquidity also measures how easily an asset can be converted into cash without significant value loss, highlighting its dual relevance to both market-level and firm-level financial stability.

Leverage reflects the extent to which a company integrates debt into its capital structure as a funding strategy. (Bigel, 2023) affirms that this policy carries the consequence of increased company risk, given that interest payment obligations and debt principal constitute fixed costs that must be fulfilled regardless of operational performance fluctuations. More specifically, (Jha, 2016) describes leverage as a “trading on equity” strategy in which management uses financial leverage to optimize returns for ordinary shareholders, albeit at the cost of increased financial risk from

fixed charges. For companies in the Kompas100 Index, the balance between debt utilization and repayment capacity constitutes a crucial indicator of financial sustainability and serves as an important signal for investor valuation.

Board gender diversity reflects the gender composition within a company's board of directors and board of commissioners. (Khan & Santoso, 2018) emphasize that boards must possess a balance of skills, knowledge, experience, independence, and diversity of perspectives to support effective and accountable decision-making. (Hilb, 2021), in his New Corporate Governance theory, argues that a diverse board is a prerequisite for achieving "Triple Fit" in corporate leadership, as gender diversity enriches human capital and enables the board to be more responsive to complex global market dynamics and diverse stakeholder expectations. The Organisation for Economic Co-operation and Development or (OECD, 2023) reinforces this position internationally, affirming that boards must provide objective assessments of corporate affairs through diverse compositions that reflect varied perspectives and experience to avoid groupthink and strengthen strategic oversight of corporate financial decisions.

Two key theories underpin the hypothesized relationships in this study. Agency theory, formulated by (Jensen & Meckling, 1976), explains the contractual relationship between company owners (principal) and managers (agent) that can generate conflicts of interest from information asymmetry, resulting in agency costs that reduce firm value. From this perspective, well-managed liquidity and controlled leverage reduce agency risks, while (Wirawan & Budidarma, 2024) demonstrate that board gender diversity can further reduce conflicts of interest and improve internal oversight quality, collectively boosting investor confidence. Signaling theory, introduced by (Spence, 1973), posits that company insiders possess more complete information than external parties, encouraging companies to transmit signals to reduce information asymmetry. (Meliza et al., 2024) explain that financial statement information serves as a primary signal for investor decision-making, where an optimal liquidity level signals short-term financial stability, high leverage may signal greater default risk, and board gender diversity signals high-quality and inclusive governance practices.

Despite theoretical expectations grounded in agency and signaling theory, prior empirical studies report contradictory findings regarding the direction and significance of these relationships. This inconsistency is particularly pronounced in the context of Indonesia's capital market, where investor behavior and institutional governance awareness differ markedly from developed markets. The unique characteristics of Kompas100 companies—as the largest blue-chip firms with high analyst coverage, maximum public disclosure, and sophisticated investor bases—may generate market dynamics that differ fundamentally from smaller-capitalization markets where most prior studies were conducted. This research gap justifies re-examining these relationships specifically within the Kompas100 context over the extended post-pandemic period of 2020–2024.

Several prior studies have examined the effects of these variables on stock returns and market performance, though with mixed findings. (Andriani & Winedar, 2020) found that the current ratio, as a liquidity proxy, has a negative effect on stock returns among IDX 30 companies, suggesting that excessive liquidity may suppress returns due to idle cash. (Devi & Artini, 2019) found that the Debt to Equity Ratio has a negative effect on stock returns, indicating that high leverage erodes market confidence. (Maulana et al., 2024) found that board gender diversity has a negative effect on stock returns, while (Meliza et al., 2024) found that leverage has no significant effect on market performance when dividend policy is considered. These inconsistent findings across different market segments and periods, combined with the distinct characteristics of Kompas100 companies as Indonesia's largest blue-chip firms, justify re-examination of these relationships in this specific context. This study therefore aims to analyze the effect of liquidity, leverage, and board gender diversity on the market performance of companies included in the Kompas100 Index on the Indonesia Stock Exchange over the 2020–2024 period, contributing a more comprehensive understanding of market performance determinants for large-capitalization Indonesian firms.

However, the expected direction of board gender diversity's effect in the Indonesian context warrants specific consideration. Unlike developed markets where gender diversity premiums are well-recognized by institutional investors, Indonesia's capital market is characterized by a lower degree of gender-diversity-conscious governance valuation and persistently low average female board representation. In this environment, investors may not yet price gender diversity as a positive governance attribute. Moreover, at low representation levels, incremental additions of female board members may introduce board-level dynamics that the market interprets as decision-making complexity rather than governance improvement. This contextual reasoning, supported by the empirical findings of Maulana et al. (2024) and Wirawan & Budidarma (2024) in the Indonesian setting, forms the basis for hypothesizing a negative effect of board gender diversity on stock return in this study.

Based on theoretical foundations and prior empirical evidence, three hypotheses are proposed: H1: Liquidity has a negative effect on market performance; H2: Leverage has a negative effect on market performance; H3: Board gender diversity has a negative effect on market performance.

2. RESEARCH METHODS

2.1 Research Design and Data Collection

This study employs a quantitative approach with a causal associative research design, which aims to determine cause-and-effect relationships among the variables investigated. (Sugiyono, 2023) explains that a causal associative form of research is used when a researcher wants to obtain a complete picture of the relationships between one variable and

another, making it appropriate for testing hypotheses involving three independent variables and one dependent variable. Data were collected through documentary study by accessing the annual reports of companies included in the Kompas100 Index on the Indonesia Stock Exchange (IDX) for the period 2020–2024. This documentary approach ensures the reliability and verifiability of data, as all financial and corporate governance information is sourced from publicly disclosed and audited annual reports accessible through the official IDX website and each company’s respective publication.

2.2 Population, Sample, and Sampling Technique

The research population comprises all companies included in the Kompas100 Index on the Indonesia Stock Exchange, totaling 100 companies. The sample was determined using the purposive sampling technique. (Sugiyono, 2023) explains that purposive sampling is a sample determination technique based on specific considerations, making it suitable for producing representative samples from a population where only a subset meets the required criteria. The four sampling criteria applied are: (a) the company completed its Initial Public Offering (IPO) prior to 2020; (b) the company was consistently included in the Kompas100 Index throughout the entire 2020–2024 study period; (c) the company distributed dividends consecutively in each year of the study period; and (d) the company does not operate in the financial services sector, given the structural differences in financial reporting for that sector. Applying these criteria eliminated 74 companies, yielding a final sample of 26 companies and producing 130 observation data points across the five-year period (26 companies $\times$ 5 years).

It is acknowledged that the requirement for consecutive dividend distribution introduces a degree of selection bias, as the resulting sample is inherently restricted to consistently profitable, dividend-paying companies within the Kompas100 Index. Accordingly, the findings of this study should be interpreted and generalized within the specific context of dividend-paying large-capitalization companies in the Kompas100 Index, rather than to all Kompas100 constituents or the broader Indonesian equity market. This boundary constitutes a recognized limitation of the study and is addressed further in the conclusion.

2.3 Variable Measurement

This study involves one dependent variable and three independent variables. The dependent variable is market performance (Y), measured through total stock return. The three independent variables are: liquidity (X_1) measured by the Current Ratio, leverage (X_2) measured by the Debt to Equity Ratio (DER), and board gender diversity (X_3) measured as the proportion of female board members to total board members. The formulas and source references for each variable are presented in Table 1.

Table 1. Variable Measurement

Variable	Formula	Source
Market Performance	Stock Return = $(Pt - Pt-1) + DPSt / Pt-1$	(Firmansyah, 2025)
Liquidity	Current Ratio = Current Assets / Current Liabilities	(Rebin & Suharyono, 2020)
Leverage	Debt to Equity Ratio = Total Debt / Total Equity	(Rebin & Suharyono, 2020)
Board Gender Diversity	BGD = $(\text{Female Board Members} / \text{Total Board Members}) \times 100\%$	(Maulana et al., 2024)

Source: Compiled from various references, 2026

2.4 Research Framework and Hypotheses

The conceptual framework of this study posits that market performance (Y) is jointly influenced by liquidity (X_1), leverage (X_2), and board gender diversity (X_3). Agency theory underpins the roles of all three independent variables in reducing agency costs: prudent liquidity management reduces short-term financial risk; disciplined leverage management limits creditor pressure; and board gender diversity strengthens internal oversight. Signaling theory explains how each variable transmits financial and governance signals to market participants that shape investor confidence and are ultimately reflected in total stock return as the market performance indicator. Drawing on these theoretical foundations and the prior empirical evidence from (Andriani & Winedar, 2020), (Devi & Artini, 2019), and (Maulana et al., 2024), the three directional hypotheses (H1, H2, H3) each predict a negative effect of the respective independent variable on market performance.

2.5 Data Analysis Technique

Data analysis was conducted using the Ordinary Least Square (OLS) regression method processed with IBM SPSS Statistics version 26. Before the main regression analysis, classical assumption tests were carried out to ensure statistical validity of the model. (Purnomo, 2016) explains that classical assumption tests are used to determine whether there are violations of the basic assumptions of the regression model so that the resulting model produces unbiased estimates and reliable test results. The classical assumption tests conducted are: (a) Normality test using the One-Sample Kolmogorov-Smirnov Test, where residuals should have a significance value greater than 0.05 for the assumption to be met, (Ghozali,

2021); (b) Multicollinearity test using Tolerance and Variance Inflation Factor (VIF) values, where Tolerance > 0.10 and VIF < 10 indicate no multicollinearity, (Ghozali, 2021); (c) Heteroscedasticity test using the Glejser method, where all independent variable significance values should exceed 0.05, Ghozali (2021); and (d) Autocorrelation test using the Runs Test, where significance value should exceed 0.05 to confirm no autocorrelation, (Ghozali, 2021).

Following the classical assumption tests, multiple linear regression analysis was performed. (Sugiyono, 2023) states that regression models with more than one independent variable can be used to analyze the magnitude of the relationship between all independent variables simultaneously against the dependent variable. The regression equation applied is: $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$, where Y is market performance, α is the constant, β_1 – β_3 are regression coefficients, X_1 – X_3 are liquidity, leverage, and board gender diversity respectively, and ϵ is the standard error. Hypothesis testing consisted of: the multiple correlation coefficient (R) and coefficient of determination (Adjusted R²) to measure model explanatory power; the F-test (ANOVA) at the 5 percent significance level to assess overall model feasibility; and the t-test at the 5 percent significance level to test partial effects of each independent variable on the dependent variable, (Ghozali, 2021).

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistical Analysis

Descriptive statistical analysis provides a general overview of the characteristics of the research data, covering minimum value, maximum value, mean, and standard deviation for each variable. The results of the descriptive statistical analysis based on 130 observations (26 companies × 5 years, raw data prior to transformation) are presented in Table 2.

Table 2. Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Dev.
Liquidity	130	0.18220	8.00710	2.1552577	1.58193462
Leverage	130	0.11230	6.46590	1.0548923	1.05241470
Board Gender Diversity	130	0.00000	0.50000	0.1305531	0.11539864
Market Performance	130	-0.59641	2.70286	0.0832134	0.38275487
Valid N (listwise)	130				

Source: SPSS version 26 Output, 2026

Based on Table 2, the liquidity variable has a minimum value of 0.182, which occurred at PT Sarana Menara Nusantara, Tbk. in 2023, indicating limited ability to fulfill short-term obligations in that period. The maximum value of 8.007 was achieved by PT Aspirasi Hidup Indonesia, Tbk. in 2022, indicating strong short-term payment capacity. The mean of 2.155 with a standard deviation of 1.582 suggests that, on average, the sample companies maintained a reasonably healthy liquidity position, though with substantial variation across companies and years.

The leverage variable ranges from a minimum of 0.112, which occurred at PT Mitra Keluarga Karyasehat, Tbk. in 2023, to a maximum of 6.466, which occurred at PT Unilever Indonesia, Tbk. in 2024. The mean of 1.055 with a standard deviation of 1.052 indicates that the average company in the sample carried nearly equal amounts of debt and equity, with notable variation suggesting diverse capital structure strategies across Kompas100 companies.

The board gender diversity variable ranges from 0.000—occurring at PT Aneka Tambang, Tbk. in 2020, indicating complete absence of female board representation—to 0.500, occurring at PT Mitra Keluarga Karyasehat, Tbk. in 2022, where half of the board members were female. The mean of 0.131 and standard deviation of 0.115 indicate that the average proportion of female board members across Kompas100 companies during the study period was only approximately 13.1 percent, reflecting the persistently low level of gender representation in Indonesian corporate boards despite an upward trend over the study period.

The market performance variable ranges from a minimum of -0.596, occurring at PT Aspirasi Hidup Indonesia, Tbk. in 2022, indicating a decline in market value that generated negative sentiment, to a maximum of 2.703, occurring at PT Indofood Sukses Makmur, Tbk. in 2020, reflecting strong positive market response driven by robust fundamentals. The mean of 0.083 with a standard deviation of 0.383 indicates that average stock returns across the sample were positive but modest over the study period, with considerable variability across companies and years.

3.2 Classical Assumption Tests

Prior to regression analysis, all four classical assumption tests were conducted to ensure that the regression model satisfies the statistical requirements for valid inference. The classical assumption tests consist of the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. (Purnomo, 2016) explains that these tests are necessary to confirm that the resulting model produces unbiased estimates and that the hypothesis test results can be scientifically justified.

The initial normality test using the One-Sample Kolmogorov-Smirnov Test on the raw data (N = 130) produced a significance value of 0.000, which is below the 0.05 threshold, indicating that the residuals were not normally distributed and that corrective measures were required before proceeding. To address this violation, two sequential remediation steps were applied. First, all variables in the model were subjected to natural log (LN) transformation, with appropriate constant

adjustments applied to variables containing zero or negative values to ensure all inputs to the logarithmic function remained positive. This transformation is intended to stabilize variance and bring the data distribution closer to normality, (Ghozali, 2021). Second, outlier identification was conducted in two stages: (a) through standardized residual values (ZRE) in two rounds of SPSS regression output, where observations with standardized residuals exceeding the threshold of ± 2.5 were excluded from the analysis; and (b) through manual inspection of boxplots generated from the raw variable data to identify extreme values not captured by the residual-based method. A total of eight data points were identified as outliers across both stages and removed from the analysis, reducing the total observation count from 130 to 122. Importantly, this reduction represents only 6.2 percent of the original observations, confirming that the cleaned sample remains representative of the population. After both remediation steps were applied, the normality test was re-run and the significance value improved to 0.200, satisfying the normality assumption. The complete recapitulation of all four classical assumption test results based on the final dataset (N = 122) is presented in Table 3.

Table 3. Recapitulation of Classical Assumption Test Results (N = 122)

Classical Assumption Test	Method	Test Result	Conclusion
Normality Test	One-Sample KS Test	sig. = 0.200 (N = 122)	Data are normally distributed (after LN transformation & outlier removal)
Multicollinearity Test	Tolerance & VIF	Liquidity: 0.274 / 3.652 Leverage: 0.277 / 3.615 BGD: 0.964 / 1.038	No multicollinearity symptoms (Tolerance > 0.10; VIF < 10)
Heteroscedasticity Test	Glejser	Liquidity: 0.334 Leverage: 0.176 BGD: 0.543	No heteroscedasticity symptoms (all sig. > 0.05)
Autocorrelation Test	Runs Test	sig. = 0.467	No autocorrelation symptoms (sig. > 0.05)
Multiple Correlation	R	0.283	Low positive relationship
Coefficient of Determination	Adjusted R ²	0.057 (5.7%)	3 variables explain 5.7% variance
F-Test	ANOVA	sig. = 0.019	Regression model is statistically feasible (sig. ≤ 0.05)

Source: SPSS version 26 Output, 2026

Based on Table 3, the normality test after LN transformation and outlier removal yields a significance value of $0.200 > 0.05$, confirming that the residuals are now normally distributed. The multicollinearity test reveals Tolerance values of 0.274 (liquidity), 0.277 (leverage), and 0.964 (board gender diversity), all above the 0.10 threshold, with corresponding VIF values of 3.652, 3.615, and 1.038, all below 10, confirming the absence of multicollinearity between the independent variables. The heteroscedasticity test using the Glejser method produces significance values of 0.334, 0.176, and 0.543 for liquidity, leverage, and board gender diversity respectively, all exceeding 0.05, confirming that residual variance is homogeneous across observations. The autocorrelation test via the Runs Test yields a significance value of $0.467 > 0.05$, confirming the absence of autocorrelation. With all four classical assumptions satisfied, the model achieves Best Linear Unbiased Estimator (BLUE) status and analysis can proceed to the regression stage.

3.3 Multiple Linear Regression Analysis

Multiple linear regression analysis was performed on the transformed dataset (N = 122) to measure the strength and direction of the relationship between the three independent variables and market performance. The results of the multiple correlation, coefficient of determination, F-test, and regression coefficients are presented comprehensively in Table 3 (model summary rows) and Table 4.

Table 4. Multiple Linear Regression Analysis

Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	0.386	0.048		8.076	0.000
LN_Liquidity (X1)	0.132	0.052	0.427	2.534	0.013
LN_Leverage (X2)	0.044	0.027	0.277	1.652	0.101
LN_BGD (X3)	-0.287	0.132	-0.195	-2.171	0.032

a. Dependent Variable: LN_Market Performance

Source: SPSS version 26 Output, 2026

Based on Table 4, the multiple linear regression equation is:

$$Y = 0.386 + 0.132X_1 + 0.044X_2 - 0.287X_3 + \varepsilon$$

The constant value of 0.386 indicates that when liquidity, leverage, and board gender diversity simultaneously equal zero, the predicted market performance value is 0.386. The regression coefficient for liquidity (X₁) is 0.132,

indicating a positive relationship: each one-unit increase in the natural log of liquidity is associated with a 0.132 increase in the natural log of market performance, with other variables held constant. The regression coefficient for leverage (X_2) is 0.044, also indicating a positive but small relationship. The regression coefficient for board gender diversity (X_3) is -0.287 , indicating an inverse relationship: each one-unit increase in the natural log of board gender diversity is associated with a 0.287 decrease in market performance, with other variables constant.

The multiple correlation value (R) of 0.283 indicates a low positive relationship between the three independent variables collectively and market performance, based on the correlation coefficient interpretation guidelines from (Sugiyono, 2023), where values between 0.20 and 0.399 indicate a low relationship. The Adjusted R^2 of 0.057 indicates that liquidity, leverage, and board gender diversity together explain only 5.7 percent of the variation in market performance, with the remaining 94.3 percent attributed to factors outside this model. The F-test significance value of $0.019 < 0.05$ confirms that the overall regression model is statistically feasible and suitable for hypothesis testing.

3.4 Hypothesis Testing and Discussion

3.4.1 Effect of Liquidity on Market Performance

The t-test result for liquidity yields a significance value of 0.013 with a regression coefficient of 0.132. Since $0.013 < 0.05$, it is concluded that liquidity has a statistically significant positive effect on market performance among Kompas100 Index companies on the Indonesia Stock Exchange. Consequently, H1, which posited a negative effect, is rejected. This result is inconsistent with (Andriani & Winedar, 2020), who found that the current ratio has a negative effect on stock returns among IDX 30 companies.

The positive direction of this finding can be explained through signaling theory (Spence, 1973): a high liquidity level is perceived by investors as a positive signal of financial health. Companies that consistently fulfill their short-term obligations demonstrate prudent cash management and low bankruptcy risk, thereby boosting investor confidence and market sentiment. This interpretation is particularly relevant for large companies in the Kompas100 Index, where investors tend to be more sensitive to fundamental financial health indicators than in lower-tier markets. (Meliza et al., 2024) support this interpretation by demonstrating that positive financial signals including indicators of sound short-term financial management are recognized by investors as evidence of operational soundness and directly influence market return assessments. Furthermore, (Ozenbas et al., 2021) note that high stock liquidity in the exchange context itself reduces transaction costs and facilitates smoother market operations, creating a positive feedback loop that reinforces market performance. The finding suggests that for Kompas100 companies, the positive signaling effect of maintaining strong liquidity outweighs the concern about idle cash, possibly because investors at this market capitalization level associate high liquidity with financial resilience rather than operational inefficiency.

3.4.2 Effect of Leverage on Market Performance

The t-test result for leverage yields a significance value of 0.101 with a regression coefficient of 0.044. Since $0.101 > 0.05$, it is concluded that leverage has no significant effect on market performance among Kompas100 Index companies. H2, which posited a negative effect, is therefore rejected. This result is inconsistent with (Devi & Artini, 2019), who found that the Debt to Equity Ratio has a negative effect on stock returns, but is consistent with (Meliza et al., 2024), who similarly found leverage to be insignificant in explaining market performance.

This outcome can be explained through the lens of market information efficiency. For large companies in the Kompas100 Index, information about debt levels is widely and transparently disclosed through annual reports and financial databases publicly accessible to market participants. Investors therefore tend to have already incorporated leverage information into their valuations before finalizing investment decisions. Information that is already fully and symmetrically known by all market participants loses its ability to materially move stock prices in either direction. This mechanism is consistent with the efficient market concept, as signaling theory (Spence, 1973) implies that already-public information provides no new signal capable of shifting investor valuation. Moreover, the Kompas100 companies generally possess strong reputations and substantial business scales, meaning that moderate use of debt may be interpreted as a reasonable strategy for business expansion rather than a sign of financial distress. (Bigel, 2023) acknowledges that while leverage carries inherent fixed-cost risks, well-managed leverage within a strong-fundamentals firm context does not necessarily generate negative market responses. As a result, changes in leverage alone are insufficient to materially alter the market perceptions for this group of large-capitalization firms in Indonesia.

3.4.3 Effect of Board Gender Diversity on Market Performance

The t-test result for board gender diversity yields a significance value of 0.032 with a regression coefficient of -0.287 . Since $0.032 < 0.05$, it is concluded that board gender diversity has a statistically significant negative effect on market performance among Kompas100 Index companies. H3 is therefore accepted, consistent with the findings of (Maulana et al., 2024), who similarly documented a negative effect of board gender diversity on stock returns.

The negative relationship indicates that a higher proportion of female board members is associated with lower market performance in the context of Kompas100 companies. This outcome can be explained by several contextual factors specific to the Indonesian capital market. First, the Indonesian capital market has not yet fully incorporated board-level gender diversity into its investor valuation framework; investors continue to regard gender composition as a secondary consideration relative to core financial performance indicators. This reflects that awareness of governance quality through

gender diversity remains in a developing stage among Indonesian market participants, as highlighted by (Khan & Santoso, 2018), who note that balanced board composition is important for governance effectiveness but its market recognition depends on the maturity of the institutional investment environment. Second, the (OECD, 2023) acknowledges that the benefits of diverse board composition in terms of objective governance assessment are contingent on effective institutional implementation, which may not yet be fully realized in emerging market contexts like Indonesia. Third, the mean proportion of female board members across Kompas100 companies in this study is only 13.05 percent, indicating that while female board representation is statistically significant, its level remains relatively limited. (Wirawan & Budidarma, 2024) note that the effectiveness of board gender diversity in improving firm outcomes is contingent on the degree to which diverse board members are genuinely empowered in strategic decision-making processes. At low representation levels, increased female membership may paradoxically introduce board dynamics that the market currently interprets negatively, possibly due to perceived decision-making complexity. (Hilb, 2021) cautions that achieving the benefits of board diversity requires not merely increasing female representation but ensuring the structural conditions for inclusive leadership are in place, a condition that may still be developing in Indonesia's corporate governance landscape.

4. CONCLUSION

Based on the hypothesis testing and analysis conducted on 26 companies included in the Kompas100 Index on the Indonesia Stock Exchange for the period 2020–2024, the following conclusions are drawn. First, liquidity has a positive and statistically significant effect on market performance, meaning that higher liquidity among Kompas100 companies is associated with better market performance, contrary to the initial hypothesis. This is explained through the positive financial signaling effect of strong short-term financial health among large-capitalization blue-chip companies. Second, leverage has no significant effect on market performance, indicating that changes in the debt-to-equity ratio do not materially influence investor valuation for Kompas100 companies. This is attributable to the transparent disclosure environment and market efficiency characteristics of this index cohort, where leverage information is already priced in by investors. Third, board gender diversity has a negative and statistically significant effect on market performance, indicating that a higher proportion of female board members is associated with lower market performance. This reflects the developing stage of gender-diversity-conscious governance awareness among Indonesian investors and the persistently low average female board representation of 13.05 percent across the sample.

From a practical standpoint, the findings carry several implications. For corporate managers of large-capitalization companies, maintaining adequate liquidity ratios serves not only operational stability but also functions as a positive market signal that enhances investor confidence and stock return performance. For investors targeting the Kompas100 segment, fundamental financial health indicators particularly liquidity represent more reliable predictors of stock return than either capital structure or board composition variables under current market conditions. For regulators and governance advocates, the negative effect of board gender diversity on stock return underscores that simply increasing female board representation is insufficient; the structural and institutional conditions that allow diverse perspectives to genuinely influence strategic decisions must be simultaneously developed. Finally, the low Adjusted R^2 of 5.7 percent indicates that stock return among Kompas100 companies is predominantly driven by macroeconomic variables, global capital flows, and market-wide investor sentiment factors external to the firm-level model employed here pointing to potential model misspecification that future research should address by incorporating broader market-level control variables alongside firm-specific ones.

This study has two main limitations. The Adjusted R^2 of only 5.7 percent indicates that the three variables collectively explain a small proportion of market performance variation, with 94.3 percent attributable to factors outside the model. Additionally, two of the three hypotheses produced results in the opposite direction from those initially hypothesized, underscoring the complex and context-specific nature of these relationships in the Indonesian capital market. Future research is recommended to incorporate additional explanatory variables such as profitability, firm size, macroeconomic indicators (inflation, interest rates), and market sentiment. Expanding the sample scope to other indices such as IDX30 or LQ45, applying more advanced panel data methods such as fixed-effect or random-effect models, and using alternative measurement proxies for liquidity (quick ratio) and leverage (debt to asset ratio) would provide more robust and theoretically aligned findings.

ACKNOWLEDGMENT

The author expresses sincere gratitude to all parties who supported the completion of this research, including the supervisory team at the Faculty of Economics and Business, Universitas Widya Dharma Pontianak, and the Indonesia Stock Exchange for providing publicly accessible annual report data.

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