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The Influence of Liquidity, Capital Structure and Dividend Policy on Return on Assets of FTSE ASEAN Stars Companies for the 2023–2024 Period

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Abstract: This study aims to analyze the influence of liquidity, capital structure, and dividend policy on the Return on Assets (ROA) of companies listed in the FTSE ASEAN Stars Index during the 2023–2024 period. Liquidity is measured using the Current Ratio (CR), capital structure using the Debt to Equity Ratio (DER), and dividend policy using the Dividend Payout Ratio (DPR). This research employs a quantitative approach with multiple linear regression analysis. The sample consists of twenty-five companies selected through purposive sampling based on the completeness of financial statement data. The results indicate that the Current Ratio does not have a significant effect on Return on Assets, while the Debt to Equity Ratio has a negative and significant effect on Return on Assets. Dividend policy is also found to have no significant effect on Return on Assets. Simultaneously, the three independent variables significantly influence Return on Assets, with an explanatory power of 44.9%. These findings provide empirical insights into the financial factors affecting the profitability of ASEAN blue-chip companies and offer practical implications for management and investors in making financial decisions.

Keywords: Current Ratio, Debt to Equity Ratio, Dividend Payout Ratio, Return on Assets, FTSE ASEAN Stars

INTRODUCTION

The economic performance of ASEAN countries showed a positive trend during the 2023–2024 period, as reflected in the growth of Gross Domestic Product (GDP) across the five major ASEAN economies: Indonesia, Singapore, Thailand, Malaysia, and the Philippines. This consistent economic expansion indicates a stable macroeconomic environment that supports corporate operational activities and investment performance.

Table 1. GDP and Average Financial Performance of the Five Largest ASEAN Countries (2023–2024)

Country	PDB 2023 (USD Billion)	PDB 2024 (USD Billion)	Average Return on Assets 2023	Average Return on Assets 2024
Indonesia	1371.2	1404.5	1.50356	1.519867
Singapore	501.4	547.4	0.69247	1.028012
Thailand	514.8	526.4	1.27667	1.384675

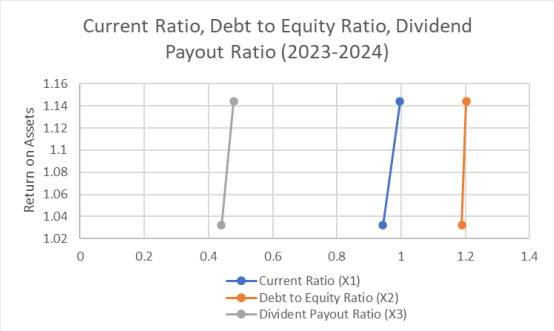
Malaysia	437.1	476.4	0.66315	0.723259
Filipina	437.1	462	1.02540	1.063012

Source: Research Data

Based on Table 1. in this study illustrates that all five countries experienced consistent GDP growth, indicating macroeconomic stability that can support companies' operational activities. Such economic stability provides an important context to assess how leading corporations in the region are able to sustain their financial performance amid dynamic regional conditions.

The FTSE ASEAN Stars companies represent a group of blue-chip firms selected based on their large market capitalization, stable performance, and economic representation within each of their respective countries. Despite possessing strong fundamentals, not all companies are able to maintain consistent profitability over time. In this study, corporate profitability is proxied by Return on Assets (ROA), which reflects managerial effectiveness in utilizing assets to generate earnings at a given point in time. Although earnings persistence is commonly examined using dynamic or time-series approaches, this research focuses on the level of profitability as an indicator of short-term performance sustainability during the observation period (Wahlen et al., 2021).

To identify factors that may influence ROA persistence, this study examines three key financial variables Current Ratio (CR) as a measure of liquidity, Debt to Equity Ratio (DER) as an indicator of capital structure, and Dividend Payout Ratio (DPR) as a measure of dividend policy.



Source: Research Data

Figure 1. The Average Conditions of the Current Ratio, Debt-to-Equity Ratio, and Dividend Payout Ratio on Return on Assets

Based on Figure 1. a descriptive relationship between CR, DER, and DPR with ROA in 2023–2024. Overall, all three variables exhibit an upward trend in line with the increase in ROA. The rise in CR alongside higher ROA suggests that stronger liquidity may support operational stability (Kasmir, 2021). The increase in DER followed by an increase in ROA indicates that companies remain within an optimal leverage range where debt can still be used productively, despite theoretical concerns regarding financial risk when leverage becomes excessive (Brigham & Houston, 2019). Meanwhile, the upward movement of DPR consistent with ROA aligns with signaling theory, which proposes that dividend payments serve as indications of management's confidence in future earnings prospects (Baker & Powell, 2020). Collectively, these descriptive patterns suggest a positive directional relationship between CR, DER, and DPR with ROA, although such descriptive tendencies cannot be interpreted as empirical conclusions without further statistical examination.

Although macroeconomic conditions during 2023–2024 were relatively stable, descriptive trends alone do not provide sufficient evidence regarding the statistical significance or strength of the relationship between liquidity, capital structure, dividend policy, and profitability. Moreover, previous empirical studies have reported inconsistent findings

regarding the effects of these financial ratios on firm performance across different industries and regions (Chen & Zhang, 2020; Hamid et al., 2022; Putri & Hidayat, 2021). Empirical evidence focusing on cross-country ASEAN blue-chip companies, particularly those included in the FTSE ASEAN Stars Index, remains limited.

This discrepancy between macroeconomic stability, observed descriptive patterns, and the lack of empirical clarity highlights an important research gap. While the data suggest that CR, DER, and DPR tend to move in the same direction as ROA, it remains unclear whether these variables truly influence earnings persistence or whether the trend is driven by other underlying factors. Therefore, this study aims to provide empirical evidence on how liquidity, capital structure, and dividend policy affect the persistence of corporate profitability. Specifically, the study seeks to examine whether the Current Ratio, Debt to Equity Ratio, and Dividend Payout Ratio have partial and simultaneous effects on Return on Assets among FTSE ASEAN Stars companies during the 2023–2024 period.

This study explicitly contributes to the financial management literature in three important ways. First, from a theoretical perspective, this research clarifies the role of liquidity, capital structure, and dividend policy in explaining firm-level profitability among blue-chip companies within the ASEAN region, where financial stability and market maturity differ across countries. Second, from an empirical perspective, this study provides recent cross-country evidence from the post-pandemic recovery period (2023–2024) using the FTSE ASEAN Stars Index, which remains underexplored in prior studies dominated by single-country samples. Third, from a practical perspective, the findings offer valuable insights for corporate managers in optimizing capital structure decisions and for regional investors in evaluating profitability drivers of leading ASEAN firms. By addressing these dimensions, this study strengthens both academic understanding and practical decision-making related to corporate financial performance in ASEAN capital markets.

METHOD

This study employs a quantitative approach with a causal-associative research design, aiming to examine cause effect relationships between independent variables and the dependent variable (Sugiyono, 2021). This approach is used to test the influence of Current Ratio, Debt to Equity Ratio, and Dividend Payout Ratio on Return on Assets among FTSE ASEAN Stars companies.

The population consists of all companies listed in the FTSE ASEAN Stars Index. The sample is selected using a purposive sampling technique with the following criteria:

Table 2. Sample Criteria

No	Sample Selection Criteria	Number of Companies
1	Companies listed in the FTSE ASEAN Stars index in the five largest ASEAN countries	25
2	Providing complete financial statements for 2023–2024	25
3	Having the required data to calculate CR, DER, DPR, and ROA	25
4	Not under trading suspension	25
5	Not delisted or removed from the index during the research period	25
Total Research Sample		25 Companies
Total Observations (25 companies × 2 years)		50 Observation

Source: Research Data

This study uses secondary data obtained from annual financial statements of companies listed in the FTSE ASEAN Stars Index, retrieved from official sources such as each country's stock exchange website and the FTSE Russell platform. The data include CR, DER, DPR, and ROA for 2023–2024. Data collection was conducted using documentation techniques by downloading and recording relevant financial information from company financial reports during the research period. The following is the list of companies included in the study.

Table 3. List Observation Companies

No	Country	Emiten Code	Companies
1	Indonesia	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk
2	Indonesia	BMRI	PT Bank Mandiri (Persero) Tbk
3	Indonesia	BBCA	PT Bank Central Asia Tbk
4	Indonesia	TLKM	PT Telkom Indonesia (Persero) Tbk
5	Indonesia	ASII	PT Astra International Tbk
6	Singapore	D05	DBS Group Holdings Ltd
7	Singapore	O39	Oversea Chinese Banking Corporation Limited
8	Singapore	U11	United Overseas Bank Limited
9	Singapore	Z74	Singapore Telecommunications Limited
10	Singapore	C6L	Singapore Airlines Limited
11	Thailand	PTT	PTT Public Company Limited
12	Thailand	SCC	The Siam Cement Public Company Limited
13	Thailand	CPALL	CP All Public Company Limited
14	Thailand	KBANK	Kasikornbank Public Company Limited
15	Thailand	THBEV	Thai Beverage Public Company Limited
16	Malaysia	Maybank	Malayan Banking Berhad (Maybank)
17	Malaysia	PBB	Public Bank Berhad
18	Malaysia	CIMB	CIMB Group Holdings Berhad
19	Malaysia	TNB	Tenaga Nasional Berhad
20	Malaysia	PCHEM	Petronas Chemicals Group Berhad
21	Filipina	SM	SM Investments Corporation
22	Filipina	AC	Ayala Corporation
23	Filipina	BDO	BDO Unibank, Inc.
24	Filipina	MPI	Metro Pacific Investments Corporation
25	Filipina	JFC	Jollibee Foods Corporation

Source: Research Data

All variables were selected based on financial research principles and are widely used in empirical literature to measure a company's financial condition.

Table 4. Variable Operational

No	Variable	Variable Concept	Indicator	Formula	Scale
1	Liquidity (X_1)	Liquidity refers to a company's ability to meet its short-term obligations using its current assets (Kieso et al., 2020)	*Current Ratio* (CR)	$\frac{Current\ Assets}{Current\ Liabilities}$	Ratio
2	Capital Structure (X_2)	Capital structure refers to the proportion of a company's financing that comes from debt compared to equity (Brigham & Houston, 2019).	*Debt to Equity Ratio* (DER)	$\frac{Total\ Debt}{Total\ Equity}$	Ratio
3	Dividend Policy (X_3)	Dividend policy refers to the company's decision to distribute earnings to shareholders in the form of dividends (Ross et al., 2021).	*Dividend Payout Ratio* (DPR)	$\frac{Cash\ Dividends}{Net\ Income}$	Ratio
4	Financial Perfomance (Y)	Financial performance refers to a company's ability to generate profits efficiently using its assets, as reflected by Return on Assets (ROA).	*Return on Assets* (ROA)	$\frac{Net\ Income}{Total\ Assets}$	Ratio

Source: Research Data

Data were analyzed using multiple linear regression to examine the influence of CR, DER, and DPR on ROA. All statistical tests were conducted using SPSS version 23, including classical assumption testing and regression analysis. Given the short observation period (two years), this study applies a pooled Ordinary Least Squares (OLS) regression approach rather than a full panel data model, as the structure does not allow for meaningful estimation of individual or time effects. The regression model is expressed as follows:

$$ROA = \alpha + \beta_1 CR + \beta_2 DER + \beta_3 DPR + \varepsilon$$

The analysis includes Classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation tests), t-test to assess the partial effects of each independent variable, F-test to assess the simultaneous effects of all independent variables, Coefficient of determination (R^2): to evaluate the explanatory power of the model.

RESULTS AND DISCUSSION

Result

Based on Table 5, the regression model satisfies all classical assumptions (normality, no multicollinearity, homoscedasticity, absence of autocorrelation, and linearity). Therefore, the multiple linear regression model is valid and can be used to examine the influence of CR, DER, and DPR on ROA in FTSE ASEAN Stars companies.

Table 5. Classical Assumption Tests

Type of Test	Result Value	Criterion	Conclusion
Normality (Shapiro–Wilk)	Sig = 0.089	Sig > 0.05	Residuals are normally distributed
Multicollinearity (VIF)	CR=1.165; DER=1.032; DPR=1.135	VIF < 10	No multicollinearity detected
Heteroscedasticity (Glejser)	CR=0.586; DER=0.059; DPR=0.069	Sig > 0.05	No heteroscedasticity
Autocorrelation (Durbin–Watson)	1.544	1.5 – 2.5	No autocorrelation
Linearity (Scatterplot)	Random pattern	No pattern	Linear relationships confirmed

Source: Research Result

The hypothesis testing in this study evaluates the partial effects of the independent variables on the dependent variable. SPSS 23 was used to perform the T-test and to calculate the coefficient of determination. The decision criterion is based on the significance level (α = 0.05). A variable is considered to have a significant effect if the probability value is smaller than α.

Table 6. T-Test Result

Variable	Beta	t-value	t-table	Sig.	Conclusion
Current Ratio (CR)	-0.303	-1.22	2.013	0.229	Not significant
Debt to Equity Ratio (DER)	-0.458	-6.075		0.001	Significant
Dividend Payout Ratio (DPR)	0.254	0.628		0.533	Not significant

Source: Research Result

Based on the results presented in Table 6, the Current Ratio and Dividend Payout Ratio have T-statistic values smaller than the critical value and probability values greater than the significance level, indicating that both variables do not have a significant partial effect on Return on Assets. In contrast, the debt to equity ratio shows a T-statistic value greater than the critical value and a probability value smaller than α, which means that leverage has a significant effect on the company's Return on Assets.

Table 7. F-Test Result

Model	F-value	F-table	Sig.	Conclusion
Regression Model	12.47	2.80	0.0001	Model is statistically significant

Source: Research Result

Based on the F-test results, the model produces an F-value of 12.470 with a significance level of 0.0001, which is lower than $\alpha = 0.05$. Therefore, the regression model is statistically significant as a whole. This indicates that the Current Ratio, Debt to Equity Ratio, and Dividend Payout Ratio jointly influence Return on Assets among FTSE ASEAN Stars companies during the 2023–2024 period. In other words, the independent variables collectively explain variations in profitability, confirming that the model is appropriate for further analysis.

This study also measures the extent to which the independent variables explain the dependent variable through the coefficient of determination (R-square). The R-square value obtained from the regression model shows that the Current Ratio, Debt to Equity Ratio, and Dividend Payout Ratio collectively explain 44.9% of the variation in Return on Assets for FTSE ASEAN Stars companies during the 2023–2024 period. Meanwhile, the remaining 55.1% is influenced by other variables not included in this research model.

Discussion

This study aims to determine the effect of the Current Ratio, Debt to Equity Ratio, and Dividend Payout Ratio on the Return on Assets of FTSE ASEAN Stars companies during the 2023–2024 period. In more depth, the following provides a detailed explanation of each finding identified in this research:

Effect of Current Ratio on Return on Assets

The results show that the Current Ratio (CR) does not have a significant effect on ROA, as indicated by a significance value of 0.229 (> 0.05). This finding suggests that liquidity levels among FTSE ASEAN Stars companies are not a primary determinant of financial performance sustainability. As blue-chip companies, entities within this index typically maintain strong operating cash flows and have access to stable financial resources. Thus, fluctuations in liquidity do not exert a meaningful influence on their profitability.

This finding aligns with (Putri & Hidayat, 2021), who reported that CR does not significantly affect profitability because liquid assets often do not directly contribute to earnings generation. Similarly, (Hamid et al., 2022) noted that high liquidity does not guarantee improved profitability, particularly when current assets are underutilized. However, this result contrasts with (Muthmainnah, 2017), who concluded that liquidity positively affects financial performance. The discrepancy may stem from the distinct characteristics of FTSE ASEAN Stars companies, which are generally larger, more stable, and financially resilient compared to firms examined in previous studies. Overall, CR is not a determinant of persistent profitability in the context of multinational companies operating within ASEAN's leading market indexes.

From a broader perspective, the insignificance of liquidity suggests that liquidity management is not a strategic profitability driver for blue-chip firms. Companies within the FTSE ASEAN Stars Index typically operate with mature cash management systems, diversified revenue streams, and strong access to external financing. As a result, maintaining excessive current assets may indicate idle resources rather than operational efficiency. This finding implies that, for large and reputable firms, profitability is driven more by strategic investment and capital structure decisions than by short-term liquidity positions.

Effect of Debt to Equity Ratio on Return on Assets

The debt to equity ratio (DER) is found to have a significant negative effect on ROA, with a significance value of 0.000 (< 0.05) and a negative regression coefficient. This indicates that higher leverage tends to reduce profitability. The finding is consistent with capital structure theory, which asserts that excessive debt increases financial risk and interest burden, ultimately reducing net income (Brigham & Houston, 2019).

This result is strongly supported by (Chen & Zhang, 2020), who found that leverage negatively affects corporate financial performance. (Hamid et al., 2022) also concluded that

firms with high DER tend to experience lower profitability due to heightened financial risk and unstable cash flows. The findings are further reinforced by (Putri & Hidayat, 2021), who stated that leverage is a significant determinant of ROA.

Consequently, DER is identified as the most influential variable affecting the persistence of financial performance among FTSE ASEAN Stars companies. High leverage leads to increased financial pressure, which disrupts the stability of long-term profitability.

Effect of Dividend Payout Ratio on Return on Assets

The Dividend Payout Ratio (DPR) does not have a significant effect on ROA, as evidenced by a significance value of 0.533 (> 0.05). Although the coefficient shows a positive direction, dividend distribution policies do not significantly enhance profitability. FTSE ASEAN Stars companies typically adopt stable and conservative dividend policies, meaning changes in payout ratios do not meaningfully influence operational performance.

This finding is consistent with (Putri & Hidayat, 2021), who suggested that DPR does not significantly impact profitability because dividend distribution is an allocation decision rather than an operational driver. Dividend payouts do not necessarily reflect changes in profitability, particularly for large, well-established companies. However, this result differs from the signaling theory described by (Baker & Powell, 2020), who argued that dividends can serve as a positive signal of future earnings prospects. In the case of FTSE ASEAN Stars companies, strong reputations and market credibility reduce the role of dividends as a signaling mechanism. Thus, DPR is not a decisive factor in shaping persistent profitability among ASEAN blue-chip firms.

The weakened role of dividend policy can also be interpreted through the lens of reduced signaling effects among reputable firms. For companies with strong brand value, transparent governance, and established market credibility, dividend announcements provide limited new information to investors. In the ASEAN blue-chip context, investors tend to rely more on fundamentals such as leverage efficiency and long-term growth prospects rather than dividend signals. This explains why dividend policy does not materially influence profitability, despite theoretical expectations from signaling theory.

CONCLUSION

Based on the empirical analysis of FTSE ASEAN Stars companies during the 2023–2024 period, this study concludes that the Current Ratio and Dividend Payout Ratio do not have a significant effect on Return on Assets. In contrast, the Debt to Equity Ratio has a negative and significant effect on Return on Assets, indicating that higher leverage reduces profitability.

Simultaneously, liquidity, capital structure, and dividend policy collectively explain 44.9% of the variation in Return on Assets, while the remaining 55.1% is influenced by other factors not included in this research model.

This study has several limitations that should be considered when interpreting the results. First, the observation period is relatively short, covering only two years (2023–2024), which limits the ability to capture long-term dynamics in profitability and financial decision-making. Second, the model focuses solely on financial ratios and does not incorporate macroeconomic variables or firm-specific factors such as firm size, growth opportunities, operational efficiency, or corporate governance characteristics. Future research is encouraged to extend the observation period, apply dynamic panel data methods, and include broader explanatory variables to provide a more comprehensive understanding of profitability determinants among ASEAN blue-chip companies.

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