

The Effect of Return on Assets, Debt to Equity Ratio, and Current Ratio on Stock Prices of Banking Sub-Sector (KBMI 3 and KBMI 4) Listed on the Indonesia Stock Exchange for the 2020–2024 Period

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ABSTRACT

This study aims to analyze the effect of Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR) on stock prices of KBMI 3 and KBMI 4 banking sub-sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. This research is motivated by fluctuations in banking sector stock prices following the COVID-19 pandemic, which were not always aligned with changes in the companies' fundamental financial ratios. In addition, inconsistencies in previous research findings regarding the influence of ROA, DER, and CR on stock prices have created a research gap that requires further investigation. The banking sector was selected because it plays a strategic role in the national financial system and dominates the assets of Indonesia's financial services sector. This study employs a quantitative method with an associative causal approach. The data used are secondary data in the form of annual financial statements and closing stock prices of KBMI 3 and KBMI 4 banking companies during the 2020–2024 period. The sampling technique used was purposive sampling based on specific criteria, resulting in companies that met the research requirements. Data analysis was conducted using panel data regression with the assistance of EViews 13 software through classical assumption tests, panel data regression model selection, coefficient of determination testing, simultaneous testing (F-test), and partial testing (t-test). The results of this study indicate that simultaneously Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR) have a significant effect on stock prices of KBMI 3 and KBMI 4 banking companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Partially, Return on Assets (ROA) has a positive and significant effect on stock prices, while Debt to Equity Ratio (DER) and Current Ratio (CR) do not have a significant effect on stock prices. These findings indicate that investors place greater emphasis on company profitability compared to solvency and liquidity ratios when making investment decisions in the banking sector. This study

Keywords: *Return on Assets (ROA), Debt to Equity Ratio (DER), Current Ratio (CR), Stock Price, Banking Sector, Indonesia Stock Exchange*

is expected to provide theoretical contributions to the development of Agency Theory and fundamental analysis in the Indonesian capital market. Practically, the results of this study may serve as a consideration for investors in making investment decisions and for company management in improving financial performance to increase corporate value in the capital market.

INTRODUCTION

Stocks are financial instruments that represent ownership of a portion of a company's assets. This instrument serves as proof that the holder has a capital participation in the issuing company (issuer), which is typically structured as a Limited Liability Company. When an individual or entity purchases shares, they automatically obtain ownership rights in the company. Consequently, shareholders are entitled to receive a portion of the company's profits in the form of dividends, the amount of which is proportional to the number of shares owned. Trading activities in the Indonesian capital market show an increasing trend, particularly in stock instruments. This is reflected in the growing number of shares traded as well as the rising transaction volumes (Prastya Andre Hand & Jalil Fitri Yani, 2020).

Currently, stocks have become one of the most widely chosen financial instruments as an alternative investment, both by domestic and foreign investors (Aryani et al., 2024). For investors, stock price is the primary focus and an important factor to consider, as it reflects the performance of the issuing company and serves as one of the key indicators of corporate success that is closely monitored by stakeholders. Stock price is a significant variable that must be considered by investors because it indicates the performance of the issuer. It is commonly defined as the closing price of a particular stock in the market during a given observation period (Sholichah et al., 2021). Fundamentally, stock price reflects a company's performance; when a company's stock price continues to increase, investors perceive that the company is successfully managing its operations (Suari N, 2025).

Stock price is a key indicator that reflects market assessment of a company's performance and future prospects. The movement of stock prices is influenced not only by macroeconomic conditions but also by the quality of internal corporate governance, particularly how management acts in representing shareholders' interests. In this context, Agency Theory, as proposed by Jensen and Meckling (1976), explains a contractual relationship in which the principal (owners or shareholders) delegates authority and decision-making responsibilities to the agent (management) to act on their behalf. This relationship arises due to the separation between ownership and control. Principals are assumed to focus on maximizing financial returns and investment value, while agents are often motivated by financial compensation. Agency Theory further elaborates the working relationship between company owners as the principals and managers as the agents, who are entrusted with

operating and managing the company's activities on behalf of the owners (Lesmono & Siregar, 2021).

The banking sector constitutes a fundamental infrastructure in modern economies, functioning as a financial intermediary—an institution that essentially collects funds from surplus units (savers) and channels them to deficit units (borrowers) in the form of credit or financing (Kasmir, 2021). According to the Financial Services Authority (OJK, 2024), banks act as financial intermediary institutions that collect funds from the public in the form of deposits and redistribute them as credit or financing, while also providing various other financial services. As financial institutions, banks play a crucial role in encouraging and supporting investment growth in Indonesia. This role is evident in their contribution to national development processes. In simple terms, banks can be understood as financial institutions whose primary function is to collect funds from the public, redistribute them, and provide various banking services (Kasmir, 2021).

The banking sector also serves as a strategic partner of the government in implementing economic development programs, such as the distribution of People's Business Credit (KUR), financing for Micro, Small, and Medium Enterprises (MSMEs), and support for national priority sectors. The role of banks extends far beyond operational functions; they act as drivers of economic growth by facilitating productive investment and significantly contributing to money creation through the credit multiplier mechanism, which is essential for maintaining system liquidity (Boediono, 2020). Furthermore, the banking sector is a key partner of Bank Indonesia in implementing monetary policy and maintaining financial system stability, ensuring that the economy operates smoothly, securely, and efficiently, particularly in supporting the real sector and the development of MSMEs (Financial Services Authority, 2023).

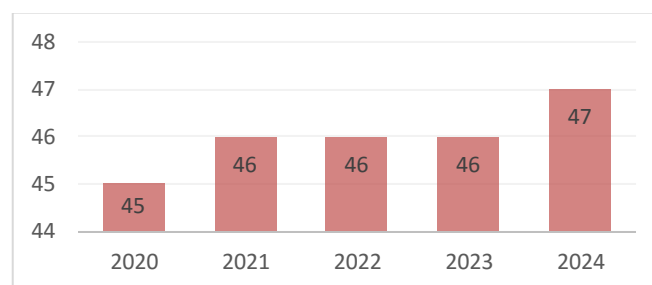


Figure 1. Illustrates the development of banking issuers listed on the Indonesia Stock Exchange (IDX) on an annual basis from 2020 to 2024

Source: IDX (2024), processed by the author (2025)

Figure 1 shows an increasing trend in the number of issuers listed on the IDX over a five-year period (2020–2024). In 2020, the number of issuers was recorded at 45. This figure then increased to 46 in 2021 and remained stable at 46 in both 2022 and 2023. The most significant increase occurred in 2024, when the number of issuers reached 47. This development indicates a growing interest among companies in seeking funding through the capital market, as well as reflecting the dynamic growth of the investment ecosystem in

Indonesia. Considering the strategic role of the banking sector as a driver of investment climate and national development, as previously discussed, it is important to observe its participation growth in the capital market. Therefore, Figure 1.1 highlights the fluctuation and development of the number of banking issuers listed on the IDX from 2020 to 2024.

The banking sector constitutes a fundamental infrastructure in a modern economy, functioning as a financial intermediary. Essentially, banks collect funds from surplus units (savers) and channel them to deficit units (borrowers) in the form of credit or financing. Due to this central role, the performance of the financial sector, particularly banking, serves as an important indicator of a country’s economic health. The banking sector (represented by IDXFİNANCE) is selected as the main focus of this analysis because it has historically demonstrated superior growth and resilience compared to the Composite Stock Price Index (IHSG/JCI). As illustrated in Figure 1.2, the cumulative performance of IDXFİNANCE by the end of 2024 reached 39.26%, significantly outperforming the IHSG/JCI, which recorded 19.11%, indicating the sector’s superior position in driving the capital market.

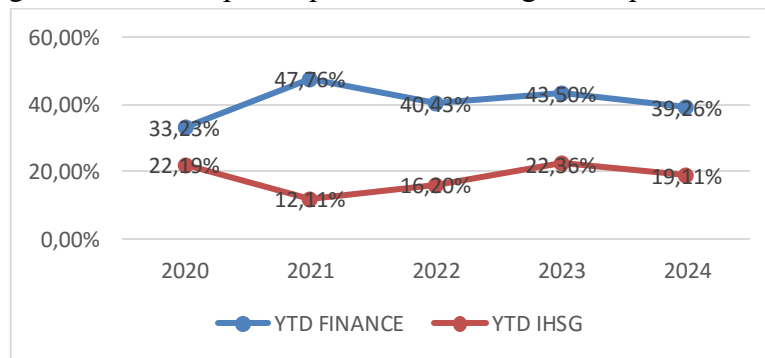


Figure 2. Historical Performance of the Finance Sector and IHSG (2020–2024)

Source: Financial Services Authority (OJK, 2024), processed by the author (2025)

The stability and growth of this sector directly influence investor confidence in the overall capital market. The total assets managed by various subsectors within Indonesia’s Financial Services Sector (SJK) demonstrate the significant dominance of the banking sector. The following table presents the asset values and the percentage contribution of each subsector to the total SJK assets, providing an overview of the structural composition of the national financial industry (OJK, 2024).

Table 1. Banking Asset Share in the National Financial System (OJK 2021–2024)

Year	Total Assets of Financial Services Sector (SJK)	Total Banking Assets	Banking Asset Share (%)	Total Non-Bank Financial Industry Assets (IKNB)	IKNB Asset Share (%)	Notes / Source
2020	Rp 11,984 trillion	Rp 8.78 trillion	73.3%	Rp 3.20 trillion	26.73%	Indonesia Banking Booklet 2021 (OJK) & Banking Statistics 2021
2021	Rp 13,138 trillion	Rp 8.56 trillion	65.2%	Rp 4.57 trillion	34.84%	Indonesia Banking Booklet 2022 (OJK) & Banking Statistics 2022
2022	Rp 14,397 trillion	Rp 9.18 trillion	63.8%	Rp 5.21 trillion	36.24%	Indonesia Banking Booklet 2023 (OJK) & Banking Statistics 2023
2023	Rp 12,925 trillion	Rp 10.11 trillion	78.2%	Rp 2.81 trillion	21.76%	Indonesia Banking Booklet 2024 (OJK) & Banking Statistics 2024
2024	Rp 15,439 trillion	Rp 11.11 trillion	72.0%	Rp 4.32 trillion	28.04%	Indonesia Banking Booklet 2025 (OJK) & Banking Statistics 2025

The decline in banking stock prices in Indonesia in early 2020 was a direct consequence of negative global and domestic market sentiment triggered by the COVID-19 pandemic. The share prices of major banks (such as BBCA, BBRI, BBNI, and BMRI) fell drastically, with percentage declines ranging from 30% to 60% for several issuers during the January to March 2020 period. For instance, BMRI shares dropped by approximately 47% from their early-2020 level, in line with the fall of the Composite Stock Price Index (IHSG) to its lowest level of around 3,900. This decline reflected market panic over the potential disruption of the global economy, increased credit risk, and uncertainty in the performance of the real sector, which underpins banking fundamentals (Indonesia Stock Exchange, 2020).

Another phenomenon observed in early 2020 was the response of Bank Indonesia (BI) to the threat of economic slowdown due to COVID-19 by gradually lowering the benchmark interest rate (BI7DRR), including a significant cut to 4.50% in March 2020. Theoretically, interest rate reductions are intended to stimulate the economy and support capital markets, including the banking sector. However, in the context of the global crisis at that time, this monetary stimulus was interpreted by the market as a confirmation signal that economic conditions were deteriorating significantly. Consequently, negative sentiment in the form of panic, fears of rising Non-Performing Loans (NPL), and capital outflows became far more dominant than the positive effects of lower interest rates. This led to a continued sharp decline

in banking stock prices and the IHSG, reaching their lowest levels in March 2020, despite the accommodative interest rate policy (Bank Indonesia, 2021).

As part of information disclosure standards, every company listed on the Indonesia Stock Exchange (IDX) is required to publish secondary data in the form of periodic financial statements (Syunikitta et al., 2023). The banking sector is a highly regulated industry due to its strategic role in maintaining national financial system stability. One of the key regulations enforced by the Financial Services Authority (OJK) is POJK No. 31/POJK.04/2015 concerning the disclosure of material information or facts by issuers or public companies. This regulation obliges all public companies, including banks, to deliver material information to the public in a timely, complete, and accurate manner. These financial statements contain information on company performance and serve as a relevant source of information for investors in assessing a company's ability to manage its finances (Aryani et al., 2024). Through these reports, investors can analyze various financial ratios such as Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR) to evaluate financial health, operational efficiency, capital structure, and liquidity (Suari N, 2025).

One important indicator frequently emphasized in financial statement analysis is profitability, particularly Return on Assets (ROA). ROA is a key profitability ratio used by investors and analysts to measure a company's efficiency in generating profits from its total assets (Sholichah et al., 2021). It serves as a performance indicator for shareholders to evaluate how effectively management utilizes company assets to generate earnings (Mahirun et al., 2023). Compared to Return on Equity (ROE), which can sometimes create an illusion of high performance due to excessive leverage, ROA provides a more comprehensive measure of asset efficiency without being overly influenced by debt levels. Previous studies (Mahirun et al., 2023; Suari N, 2025) indicate that ROA has a negative effect on stock prices. However, other studies (Sholichah et al., 2021; Tristanto et al., 2024) report contrasting findings, suggesting that higher ROA positively influences stock prices, thereby creating ambiguity for investors.

Another commonly used ratio to assess capital structure is the Debt to Equity Ratio (DER), which reflects the extent to which a company relies on debt financing relative to equity. A high DER indicates a greater financial obligation burden, thereby increasing the risk of default. This condition can pressure managers to operate more efficiently due to tighter creditor monitoring. Such risk perceptions may reduce investor interest, leading to a decline in stock prices. Previous research (Tristanto et al., 2024; Wulandari I., 2024) suggests that an increase in DER (solvency) may provide a positive signal to investors, as debt is assumed to be used efficiently to expand business operations and enhance firm value. However, other studies (Mahirun et al., 2023; Syunikitta et al., 2023) argue that although the direction is positive, the signal provided by DER is not statistically strong enough to significantly influence stock prices.

Attention is also directed toward liquidity ratios, particularly the Current Ratio (CR), which illustrates a company's capacity to maintain operational continuity through the management of its current assets (Tristante et al., 2024). CR is defined as a crucial liquidity ratio that measures a company's ability to meet its short-term obligations using its current assets. A high CR indicates strong liquidity and suggests that the company has sufficient current assets to fulfill its obligations within one year without experiencing financial difficulties (Adawiyah et al., 2025). However, Agency Theory explains that an excessively high CR may signal inefficient use of current assets, such as holding excessive cash, which can lead to agency costs due to idle resources. A good level of liquidity (high CR) creates a perception of stability and the ability to withstand sudden withdrawals, thereby increasing investment attractiveness (Sholichah et al., 2021). For investors, CR is an important aspect to analyze before making stock investment decisions. Previous research (Adawiyah et al., 2025) suggests that a good CR provides a positive perception for investors. However, most prior studies (Prameswari et al., 2023; Syunikitta M, 2023; Aryani et al., 2024) indicate that CR has a negative effect on stock prices.

Based on the background, observed phenomena, and inconsistencies in previous research findings (research gap), particularly regarding the effects of Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR), this study is considered important to conduct. Therefore, the researcher aims to re-examine and analyze in greater depth the following topic: "The Effect of Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR) on Stock Prices in the Banking Sub-Sector Listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 Period."

RESEARCH METHOD

This study employs a quantitative approach with a descriptive and causal research design aimed at examining the effect of Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR) on stock prices in the banking sub-sector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The study utilizes secondary data obtained from annual reports, financial statements, and stock price data, applying a non-contrived setting without direct intervention from the researcher. The population consists of all banking companies listed on the IDX, while the sample is determined using purposive sampling, resulting in 12 companies with 60 panel data observations over five years. Data collection techniques include documentation and literature review, while data analysis is conducted using panel data regression supported by statistical software, including descriptive statistics, classical assumption tests, and hypothesis testing. The research process involves several stages, including problem identification, problem formulation, literature review, hypothesis development, research design, data collection, data analysis, and conclusion drawing, with Agency Theory serving as the primary theoretical framework to explain the relationship between financial performance variables and stock prices.

RESULT AND DISCUSSION

Model Selection

Chow Test

The basis for decision-making in the Chow Test is the significance value (p-value) of the Cross-section Chi-square. The model selection criteria are determined by examining the statistical significance value. The null hypothesis (H_0) is rejected if the p-value (probability) is less than the significance level of $\alpha = 5\%$ or 0.05, indicating that the Fixed Effect Model (FEM) is more appropriate. Conversely, if the probability value exceeds 0.05, H_0 fails to be rejected, and the Common Effect Model (CEM) is selected (Suari N, 2025).

Table 2. Redundant Fixed Effect Test

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	10.435325	(11,45)	0.0000
Cross-section Chi-square	76.031342	11	0.0000

Source: Processed data (2026)

Based on the data presented in the table, the probability (Prob.) values for both Cross-section F and Cross-section Chi-square are 0.0000. Since this value is significantly lower than the 0.05 significance level, it can be concluded that the null hypothesis (H_0) is rejected. Therefore, the Fixed Effect Model (FEM) is considered the most appropriate and consistent model for panel data analysis compared to the Common Effect Model.

Hausman Test

If the probability value (p-value) is less than the significance level $\alpha = 0.05$ (5%), the null hypothesis (H_0) is rejected, indicating that the Fixed Effect Model (FEM) is the most appropriate. Conversely, if the probability value exceeds 0.05, the Random Effect Model (REM) is preferred.

Table 3. Correlated Random Effects

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	15.711921	3	0.0013

Source: Processed data (2026)

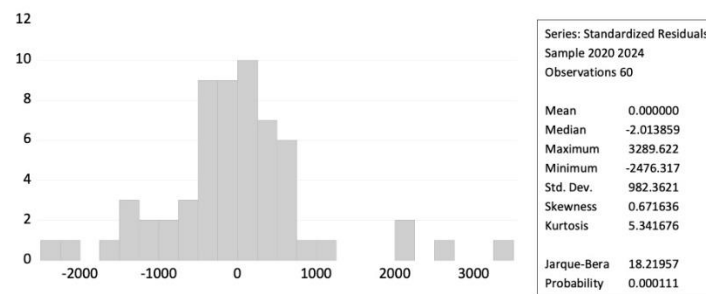
Based on the output results, the Chi-square statistic is 15.711921 with a probability value of 0.0013. Since this probability value is far below 0.05, the statistical decision is to reject the null hypothesis (H_0) and accept the alternative hypothesis (H_a). Thus, the Fixed Effect Model (FEM) is the most appropriate model for panel data regression analysis.

Classical Assumption Tests

Normality Test

The normality test aims to determine whether the residuals in the regression model are normally distributed. A good regression model should exhibit normally or approximately normally distributed data (Suari N, 2025). In this study, normality is assessed based on the assumption that a significance value greater than 0.05 indicates a normal distribution.

Table 4. Normality Test



Source: Processed data (2026)

Based on the test results from 60 observations, the regression model has a mean residual of zero, with a positive skewness of 0.671636 and kurtosis of 5.341676, indicating a right-skewed and leptokurtic distribution. The Jarque-Bera test yields a statistic of 18.21957 with a probability value of 0.000111. Since this value is less than 0.05, the null hypothesis is rejected, indicating that the residuals are not normally distributed. This condition is likely due to the presence of outliers.

However, this does not invalidate the regression model. Referring to the Central Limit Theorem (CLT) by Gujarati and Porter (2009), when the sample size is sufficiently large ($n \geq 30$), the sampling distribution of estimators tends toward normality asymptotically, regardless of the original population distribution. With 60 observations, the large sample condition is satisfied, and the deviation from normality does not invalidate the model.

Multicollinearity Test

Table 5. Multicollinearity Test

	ROA	DER	CR
ROA	1.000000	-0.416178	0.308699
DER	-0.416178	1.000000	-0.076061
CR	0.308699	-0.076061	1.000000

Source: Processed data (2026)

Based on the correlation matrix, the relationship between Return on Assets (ROA) and Debt to Equity Ratio (DER) shows a coefficient of -0.416178, indicating an inverse relationship. The correlation between ROA and Current Ratio (CR) is positive at 0.308699, while DER and CR have a very weak correlation of -0.076061. Since all correlation coefficients are below the critical threshold of 0.80, it can be concluded that there is no serious multicollinearity issue.

Heteroskedasticity Test

Table 6. Heteroskedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4718.490	1869.219	2.524311	0.0152
ROA	34789.21	13815.08	2.518205	0.0154
DER	20.37926	92.59619	0.220087	0.8268
CR	-4209.390	1341.696	-3.137364	0.0030

Source: Processed data (2026)

Based on the Glejser test results, the probability values are 0.0154 for ROA, 0.8268 for DER, and 0.0030 for CR. Since ROA and CR have probability values below 0.05, heteroskedasticity is present in the model. To address this issue, the study applies the Cross-section Weighted method using Weighted Least Squares (WLS). This method assigns different weights to each cross-sectional observation based on residual variance, thereby reducing the impact of heteroskedasticity. As a result, the parameter estimates become more accurate, efficient, and unbiased, ensuring valid hypothesis testing (Badawi et al., 2022).

Panel Data Regression Equation

Table 7. Estimation Results of Fixed Effect Model with Cross-Section Weighted

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1514.775	1561.704	0.969951	0.3373
ROA	49296.46	16223.29	3.038623	0.0039
DER	189.9622	62.62258	3.033447	0.0040
CR	-201.7931	1380.794	-0.146143	0.8845

Source: Processed data (2026)

$$Y = 1514.775 + 49296.46(ROA) + 189.9622(DER) - 201.7931(CR) + e$$

Where:

- Y = Stock Price
- ROA = Return on Assets
- DER = Debt to Equity Ratio
- CR = Current Ratio

The estimation results indicate that ROA and DER have a positive and significant effect on the dependent variable. This is shown by probability values below 0.05, meaning that increases in profitability and leverage (within limits) lead to higher stock prices. Conversely, CR has a negative and insignificant effect, indicating that liquidity does not significantly influence stock prices.

Hypothesis Testing

Coefficient of Determination (R²)

Table 8. Coefficient of Determination

Weighted Statistics			
R-squared	0.956486	Mean dependent var	4532.081
Adjusted R-squared	0.942948	S.D. dependent var	2820.742
S.E. of regression	994.6775	Sum squared resid	44522249
F-statistic	70.65359	Durbin-Watson stat	1.879641
Prob(F-statistic)	0.000000		

Source: Processed data (2026)

The R-squared value is 0.956486, indicating that 95.65% of the variation in the dependent variable is explained by the independent variables, while the remaining 4.35% is influenced by other factors. The Adjusted R-squared value of 0.942948 confirms that the model has a very strong goodness of fit.

F-Test

Table 9. F-Test Results

Weighted Statistics			
R-squared	0.956486	Mean dependent var	4532.081
Adjusted R-squared	0.942948	S.D. dependent var	2820.742
S.E. of regression	994.6775	Sum squared resid	44522249
F-statistic	70.65359	Durbin-Watson stat	1.879641
Prob(F-statistic)	0.000000		

Source: Processed data (2026)

The F-statistic is 70.65359 with a significance value of 0.000000. Since this is below 0.05, the null hypothesis is rejected, indicating that all independent variables simultaneously have a significant effect on the dependent variable.

T-Test

Table 10. T-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1514.775	1561.704	0.969951	0.3373
ROA	49296.46	16223.29	3.038623	0.0039
DER	189.9622	62.62258	3.033447	0.0040
CR	-201.7931	1380.794	-0.146143	0.8845

Source: Processed data (2026)

The partial test results show that ROA and DER have a positive and significant effect on stock prices, with probability values of 0.0039 and 0.0040, respectively, supported by positive t-statistics. This indicates that profitability and optimal debt management are positively responded to by the market.

In contrast, CR does not have a significant effect, as indicated by its probability value of 0.8845 and weak t-statistic (-0.146143). This suggests that short-term liquidity is not a primary consideration for investors in determining stock prices in this study.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study aims to examine the effect of Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR) on stock prices in the banking sub-sector, specifically within the Bank Group based on Core Capital (KBMI) categories 3 and 4 listed on the Indonesia Stock Exchange during the 2020–2024 period. Based on the results of panel data regression analysis and hypothesis testing, the conclusions are as follows:

The variables Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR) simultaneously have a significant effect on stock prices. This indicates that these three variables collectively are able to explain variations in stock prices, implying that the combination of financial performance, capital management characteristics, and liquidity plays a crucial role in determining the stock prices of banking companies.

Return on Assets (ROA) has a positive and significant effect on stock prices. This suggests that the higher a bank's ability to generate profits from its total assets, the higher its stock price. Profitability is a primary indicator considered by investors in evaluating operational efficiency and future growth prospects.

Debt to Equity Ratio (DER) has a significant effect on stock prices. This indicates that the level of leverage, including the structure of debt and third-party funds managed by banks, is an important factor in determining stock prices. Optimal capital management is perceived by investors as a productive instrument for credit expansion and business development.

Current Ratio (CR) has a significant effect on stock prices. This demonstrates that a bank's ability to meet its short-term obligations and maintain operational liquidity stability is a key factor influencing stock prices. Therefore, liquidity levels directly affect investor decisions in assessing the financial security of banking institutions.

Recommendations

Theoretical Implications

This study has several limitations that need to be considered. First, the relatively limited value of the coefficient of determination (Adjusted R-Squared) indicates that the model's ability to explain variations in stock prices remains constrained, suggesting that many other factors outside the model have not yet been examined. Second, the independent variables used in this study are limited to ROA, DER, and CR, and therefore have not fully represented all internal banking factors that may comprehensively influence stock prices. Third, this study focuses only on the banking sub-sector within KBMI 3 and KBMI 4 categories, so the findings may not be generalizable to banks with smaller core capital or to other financial industries. Fourth, the observation period is relatively short, covering only five years (2020–2024), and thus may not adequately capture long-term dynamics that could influence stock price volatility.

Practical Implications

Based on the findings indicating that Return on Assets (ROA) has a positive and significant effect on stock prices, banking companies are advised to focus their strategies on improving profitability performance through optimizing high-quality credit distribution,

enhancing operational cost efficiency, and increasing non-interest income (fee-based income). Sustainable profit growth will provide a positive signal to investors regarding the bank's future prospects, thereby increasing market confidence and ultimately leading to higher stock prices.

Furthermore, considering that Debt to Equity Ratio (DER) and Current Ratio (CR) also have significant effects, bank management should maintain a balanced capital structure and ensure liquidity levels remain within efficient limits. This is essential to avoid the risk of non-performing loans while ensuring that current assets remain productive.

For investors, the results of this study can serve as a reference in making investment decisions, particularly by conducting a holistic fundamental analysis of financial ratios in large banking groups (KBMI 3 and KBMI 4). Investors are encouraged not to rely solely on profitability (ROA), but also to simultaneously evaluate leverage management (DER) and liquidity resilience (CR). In doing so, investment decisions in the capital market can become more rational, based on relevant fundamental information, thereby minimizing investment risk and maximizing potential returns.

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