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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

Financial sub-sector businesses listed on the Indonesia Stock Exchange between 2020 and 2024 will be the focus of this research, which seeks to analyse the impact of ROA, DER, and CR on stock prices. Following the COVID-19 epidemic, there were stock price movements in the banking industry that did not necessarily correspond with changes in the underlying financial statistics of the firms, which prompted this investigation. Further research is needed to fill a research gap caused by inconsistent findings in previous studies on the impact of ROA, DER, and CR on stock prices. Because of its central position in the country's financial system and its hegemony over financial services assets in Indonesia, the banking industry was chosen for this study. A quantitative technique based on the associative causal approach is used in this investigation. Secondary data, such as KBMI 3 and KBMI 4 banking businesses' yearly financial statements and closing stock prices from 2020 to 2024, are used. Businesses that fulfilled the study's criteria were selected using a purposive sampling strategy. Using EViews 13's panel data regression, we evaluated the data. A battery of tests were run, including F-tests for simultaneous and partial testing, evaluations of coefficients of determination, and classical assumption tests. The results of this research show that from 2020 to 2024, the stock prices of financial institutions KBMI 3 and KBMI 4 that were listed on the Indonesia Stock Exchange were greatly affected by Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR) all at once. Although there is no correlation between DER and CR, there is a positive and statistically significant one between ROA and stock prices. These results show that when deciding to invest in a banking firm, investors care more about the profitability of the business than about the solvency and liquidity ratios. Theoretically, this research should help advance Agency Theory and fundamental analysis inside Indonesia's stock market. Investors may use this study's findings to inform their investment choices, and business leaders may use them to boost

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

their companies' capital market value by enhancing financial performance.

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. For that reason, dividends are a way for shareholders to get a cut of the company's earnings; the amount a shareholder may expect to receive depends on how many shares they own. 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). Among the many critical metrics that stakeholders use to gauge a firm's health, the stock price is front and center for investors as it shows how the issuing company is doing. Investors should pay attention to the stock price since it reflects the issuer's success. The market price of a stock as of a certain date during an observation period is a typical definition. (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).

Investors' perceptions of a company's success or failure are mirrored in its stock price. Both external factors, such as macroeconomic circumstances, and internal factors, such as management's performance in protecting shareholder interests, impact stock price movements. Jensen and Meckling's (1976) Agency Theory provides an explanation for this kind of contractual connection by outlining how principals (shareholders or owners) provide agent (management) discretion and power to make decisions in 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, acting as a financial go-between, or an organization that takes money from those who have extra money (savers) and gives it to others who need it (borrowers) via loans or other forms of funding (Kasmir, 2021). In accordance with the Financial activities Authority (OJK, 2024), banks serve

as intermediaries in the financial system by accepting deposits from the general public and then lending or financing those monies, among other activities. The role of banks, as Indonesia's financial institutions, in fostering and sustaining investment development is vital. 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).

When it comes to economic development initiatives like Micro, Small, and Medium Enterprises (MSMEs) financing, People's Business Credit (KUR) distribution, and assistance for national priority sectors, the banking sector is a key partner of the government. Banks have an important role in the economy beyond just depositing and withdrawing funds; they stimulate investment, which boosts GDP, and they help create new currency via the credit multiplier mechanism, which is crucial for keeping the system liquid. (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).

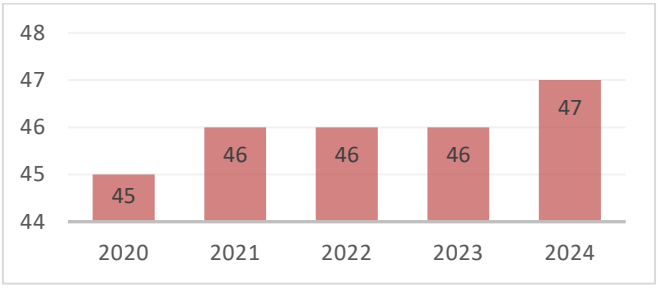


Figure 1. Illustrates the development of banking issuers listed on the Indonesia Stock Exchange (IDX) on an annual basis from 2020 to 2024

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.

As a vital part of any contemporary economy, the banking industry acts as a go-between for consumers and businesses' money. The basic idea behind banks is that they take money that people have extra (savers) and lend it to others who need it (borrowers) via credit or financing. Given the importance of the financial sector, especially banking, the state of the economy may

be gauged by looking at how well it performs in this area. The banking sector (represented by IDXFINANCE) 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 IDXFINANCE 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.

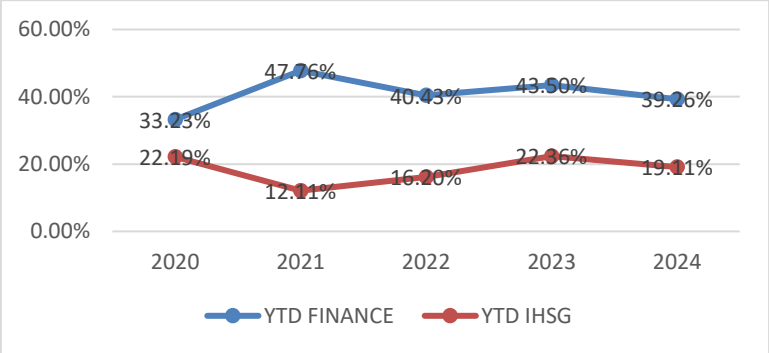


Figure 2. Historical Performance of the Finance Sector and IHSG (2020–2024)

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

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
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).

Secondary data in the form of periodic financial statements is required to be published by every firm listed on the Indonesia Stock Exchange (IDX) as part of information disclosure rules (Syunikitta et al., 2023). Because of its critical role in preserving the stability of the national financial system, the banking sector is a heavily regulated business. All publicly traded organisations, including financial institutions, are required by this rule to provide the public with full and accurate material information within a reasonable amount of time. Investors may learn a lot about a company's financial management skills from its financial statements, which detail the company's performance (Aryani et al., 2024). These reports allow investors to

examine a number of financial statistics, including Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR), which provide insight into operational efficiency, liquidity, capital structure, and financial health. (Suari N, 2025).

Profitability, and more specifically Return on Assets (ROA), is a key metric that is often highlighted when analysing financial statements. According to (Kristanti et al., 2024),Return on Assets (ROA) is a profitability ratio that measures a company's ability to generate earnings from its total assets. ROA is calculated by comparing net income with total assets, and a higher ROA indicates greater efficiency in utilizing company assets to generate profits. Analysts and investors use return on assets (ROA), a crucial profitability indicator, to gauge how well a business turns its total assets into profit. (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 popular metric for analysing capital structure is the Debt to Equity Ratio (DER), which shows how much of a company's funding comes from debt compared to equity. The likelihood of default increases as the DER rises because more financial obligations are incurred. Tighter creditor monitoring is one consequence of this circumstance that might force management to work more effectively. Stock prices could fall if investors lose interest due to these perceived risks. 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.

Also, liquidity measures are being studied, with a focus on the Current Ratio (CR) that shows how well a firm can manage its current assets to keep operations running (Tristanto et al., 2024). CR is a key liquidity ratio that assesses a business's capacity to satisfy its immediate financial commitments with the resources at its disposal. Strong liquidity, as shown by a high CR, means that the firm has enough current assets to pay all of its bills in a year without going bankrupt. (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

From 2020 to 2024, this study will use a quantitative methodology, descriptive and causal research design, and the banking sub-sector's IDX-listed stock prices as a proxy for ROA, DER, and CR. The study uses secondary data collected from annual reports, financial statements, and stock price data in an unstructured setting where the researcher doesn't interfere. All financial institutions traded on the IDX make up the population, and 12 of those firms will get 60 panel data observations spread out over five years thanks to purposive selection. Panel data regression backed by statistical software—descriptive statistics, classical assumption tests, and hypothesis testing—is used to analyse the collected data, which also includes documentation and literature evaluation. Finding the problem, formulating it, reviewing the literature, developing hypotheses, designing the research, collecting data, analysing the data, and drawing conclusions are all parts of the research process. The relationship between financial performance variables and stock prices is primarily explained by Agency Theory.

RESULT AND DISCUSSION

Model Selection

Chow Test

The p-value from the cross-section chi-square provides the basis for the conclusions made by the Chow Test. The model selection criteria is defined using the statistical significance value. If the probability p-value is less than the significance criterion of $\alpha = 5\%$ or 0.05, the null hypothesis (H_0) is rejected because the Fixed Effect Model (FEM) is more appropriate. As an alternative to H_0, the Common Effect Model (CEM) is used when the probability value exceeds 0.05. (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)

The cross-section F probability and cross-section Chi-square probability values are 0.0000, as shown in the table. The significance level is so low that the null hypothesis (H_0) may be rejected. Therefore, the Fixed Effect Model (FEM) is preferred over the Common Effect Model (CEM) for panel data analysis due to its consistency and suitability.

Hausman Test

In order to reject the null hypothesis (H_0), the Fixed Effect Model (FEM) should be used if the p-value, also known as the probability value, is less than the significance threshold $\alpha = 0.05$ (5%). On the other hand, if the probability value is more than 0.05, the Random Effect Model (REM) is used.

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)

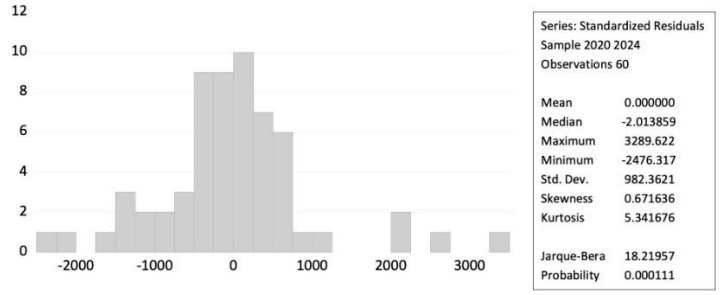
The results yielded a probability value of 0.0013 and a Chi-square statistic of 15.711921. Since this probability value is much lower than 0.05, the statistical conclusion is to accept the alternative hypothesis (H_p) and reject the null hypothesis (H_0). This is why the Fixed Effect Model (FEM) is the way to go for panel data regression analysis.

Classical Assumption Tests

Normality Test

The purpose of the normalcy test is to ascertain whether the regression model's residuals follow a normal distribution. If the data in a regression model doesn't follow a normal distribution, it's not good. (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.

But the regression model is still valid. The sampling distribution of estimators asymptotically tends toward normalcy, independent of the original population distribution, according to the Central Limit Theorem (CLT) by Gujarati and Porter (2009), provided that the sample size is high enough ($n \geq 30$). There is no need to worry about the model being rendered useless due to the non-normality of the data, since the large sample criterion has been met with 60 observations.

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)

$$\boldsymbol{Y = 1514.775 + 49296.46(\ ROA) + 189.9622(DER) - 201.7931(CR) + e}$$

Where:

Y = Stock Price

ROA = Return on Assets

DER = Debt to Equity Ratio

CR = Current Ratio

According to the estimate findings, the dependent variable is positively and significantly affected by ROA and DER. Probability values below 0.05 demonstrate this, suggesting that, within certain bounds, an increase in profitability and leverage causes stock prices to rise. On the other hand, CR's negative and negligible impact suggests that liquidity does not play a major role in determining stock prices.

Hypothesis Testing

Coefficient of Determination (R^2)

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 because the independent variables explain 95.65% of the variation in the dependent variable and other factors explain the remaining 4.35%. The model's high Adjusted R-squared score of 0.942948 confirms its remarkable 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, at 70.65359, is linked with a significance level of 0.000000. We may reject the null hypothesis since this is less than 0.05, which means that all of the independent factors have a substantial influence on the dependent variable simultaneously.

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

The purpose of this research is to analyse the impact of ROA, DER, and CR on stock prices of banking sub-sector companies listed on the Indonesia Stock Exchange in categories 3 and 4 according to Core Capital (KBMI) from 2020 to 2024. Here are the takeaways from the hypothesis testing and panel data regression analysis:

On the one hand, ROA, DER, and CR all have a role in determining stock prices, and on the other, they all work together to affect stock prices significantly. This suggests that the combination of liquidity, financial performance, and features of capital management may explain fluctuations in stock prices. It also suggests that these three factors are significant in determining the stock prices of banking organisations.

Stock prices are positively and significantly impacted by return on assets (ROA). Accordingly, it follows that a bank's stock price is directly proportional to its profitability. When gauging operational efficiency and potential for future development, profitability is a key metric that investors look at.

An important factor influencing stock prices is the debt-to-equity ratio (DER). Because of this, it's clear that leverage, which includes debt structure and bank-managed third-party funds, plays a significant role in setting stock values. When it comes to growing businesses and extending loans, investors see optimal capital management as a useful tool.

A stock's price is heavily influenced by the Current Ratio (CR). What this means is that the capacity of a bank to satisfy its short-term commitments and keep its operational liquidity stable is a major component that affects stock values. Thus, liquidity levels have a direct impact on how investors evaluate the safety of financial institutions.

Recommendations

Theoretical Implications

It is important to take into account the study's limitations. To start with, many additional variables outside the model have not been considered just yet since the model's capacity to explain changes in stock prices is restricted, as shown by the relatively small value of the coefficient of determination (Adjusted R-Squared). Secondly, all internal banking characteristics that may completely impact stock prices have not been properly reflected in this research since the independent variables included are confined to ROA, DER, and CR. 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

It is important to take into account the study's limitations. To start with, many additional variables outside the model have not been considered just yet since the model's capacity to explain changes in stock prices is restricted, as shown by the relatively small value of the coefficient of determination (Adjusted R-Squared). Secondly, all internal banking characteristics that may completely impact stock prices have not been properly reflected in this research since the independent variables included are confined to ROA, DER, and CR.

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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Our sincere appreciation goes out to everyone who has helped with this study. Throughout the study process, our colleagues provided invaluable comments, encouragement, and ideas, and we are very grateful to them. Additionally, we would like to express our deepest gratitude to everyone who took the time to answer our survey and participate in this research. Furthermore, we are grateful to the organisations and institutions that made it possible to conduct this study by providing funding and space. The accomplishment of this research would not have been possible without each and every one of the contributions and forms of aid that were given. All of the effort and teamwork that has gone into this study is tremendously appreciated.

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