



THE ROLE OF FINANCIAL PERFORMANCE ON STOCK PRICES: AN EMPIRICAL STUDY OF BASIC MATERIALS COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE 2022 - 2024

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Info Article Received : 06 April 2026 Revised : 19 April 2026 Accepted : 15 Mei 2026 Publication : 30 Mei 2026	Abstract: This study examines the effect of financial performance, measured by Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER), on the stock prices of Basic Materials companies listed on the Indonesia Stock Exchange during 2022–2024. A quantitative approach was applied using secondary data from annual reports and stock price records. Purposive sampling produced 77 companies and 231 observations. Stock price, measured using the natural logarithm of the closing price, was analyzed through multiple linear regression. The results show that ROA has a positive and significant effect on stock prices, indicating that effective asset utilization strengthens investor confidence. Meanwhile, ROE and DER have no significant partial effect on stock prices. However, ROA, ROE, and DER simultaneously significantly affect stock prices. The study concludes that financial performance influences stock prices, primarily through asset management efficiency. Future studies may include additional financial and macroeconomic variables.
Keywords: Financial Performance, Stock Price, Return on Asset, return on Equity, Debt to Equity Ratio, Basic Materials. Kata Kunci: Kinerja Keuangan, Harga Saham, Return on Asset, Return on Equity, Debt to Equity Ratio, Bahan Baku.	Abstrak: Penelitian ini bertujuan untuk menganalisis pengaruh kinerja keuangan yang diukur melalui Return on Assets (ROA), Return on Equity (ROE), dan Debt to Equity Ratio (DER) terhadap harga saham perusahaan sektor Basic Materials yang terdaftar di Bursa Efek Indonesia periode 2022–2024. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari laporan tahunan perusahaan dan data harga saham. Metode purposive sampling menghasilkan 77 perusahaan dengan 231 observasi. Harga saham diukur menggunakan logaritma natural dari harga penutupan saham dan dianalisis menggunakan regresi linear berganda. Hasil penelitian menunjukkan bahwa ROA berpengaruh positif dan signifikan terhadap harga saham, yang menunjukkan bahwa efektivitas penggunaan aset meningkatkan kepercayaan investor. Sementara itu, ROE dan DER tidak berpengaruh signifikan secara parsial terhadap harga saham. Namun, ROA, ROE, dan DER secara simultan berpengaruh signifikan terhadap harga saham. Penelitian ini menyimpulkan bahwa kinerja keuangan berperan dalam menjelaskan harga saham, terutama melalui efisiensi pengelolaan aset.
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INTRODUCTION

The capital market represents an interaction between information, expectations, risks, and investment decisions, making stock prices a reflection of investors' perceptions of a company's economic prospects. Under the efficient market hypothesis, stock prices respond to available information, including financial statement information (Fama, 1970). However, in emerging markets such as Indonesia, information asymmetry remains a challenge, making financial performance reports important signals for reducing uncertainty and supporting investment decisions (Spence, 1973; Connelly et al., 2011).

The Indonesian capital market has experienced significant growth, with the number of investors reaching approximately 14.87 million by the end of 2024, increasing the need for reliable fundamental information in investment analysis (Otoritas Jasa Keuangan, 2024). Financial ratios provide practical indicators of profitability, efficiency, and funding structure. Previous studies show that profitability and solvency ratios remain relevant in explaining stock prices, as investors use these indicators to evaluate issuer performance and prospects (Zarefar & Armadani, 2024; Laili, 2024).

The Basic Materials sector was selected because its capital-intensive operations and reliance on debt financing make ROA, ROE, and DER particularly relevant measures of performance and financial risk. As a key supplier to construction, manufacturing, chemicals, metals, cement, and paper industries, the sector is highly sensitive to industrial cycles, commodity prices, energy costs, inflation, exchange rates, and global supply-chain disruptions. These characteristics create substantial variation in asset utilization, shareholder returns, and leverage, making the sector well suited for examining the relationship among ROA, ROE, and DER (Indonesia Stock Exchange, 2022; Tahmat et al., 2025; Ariani & Permatasari, 2025).

This study uses Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER) as proxies for financial performance because they represent asset efficiency, shareholder returns, and capital structure. ROA reflects managerial effectiveness in utilizing assets, ROE indicates the company's ability to generate returns for shareholders, while DER represents financial leverage and risk management (Zarefar & Armadani, 2024; Laili, 2024; Indradewa Damayanti, 2025).

Previous studies show inconsistent findings regarding the relationship between financial performance and stock prices. Andriani et al. (2023) found that ROE affects stock prices while DER does not, whereas Khan et al. (2024) showed that ROE and DER do not directly affect stock returns. In the Basic Materials sector, Ariani and Permatasari

(2025) found that EPS had a significant positive effect, while ROA, ROE, and DER were insignificant. These differences indicate the need for further examination of the role of fundamental financial indicators. Although previous studies have examined the relationship between financial performance and stock prices, their findings remain inconsistent. ROA and ROE are reported as significant in some studies but insignificant in others, while DER shows negative, positive, or nonsignificant effects across different sectors. Most prior research also focuses on automotive, food-processing, financial, or broadly listed companies, leaving limited sector-specific evidence for Basic Materials firms, whose operations are highly capital-intensive and dependent on substantial assets and debt financing. Even the findings of Ariani and Permatasari (2025) leave unresolved whether ROA, ROE, and DER consistently explain stock-price movements in this sector. Therefore, the present study specifically examines the simultaneous and partial effects of ROA, ROE, and DER on the stock prices of Basic Materials companies listed on the Indonesia Stock Exchange during 2022–2024. This focused approach is intended to provide clearer empirical evidence regarding the roles of asset efficiency, shareholder returns, and capital structure in determining stock prices within the sector.

The novelty of this research contextually, the study focuses on Basic Materials companies, whose capital-intensive operations, high asset dependence, leverage exposure, and sensitivity to commodity and energy-cost fluctuations make ROA, ROE, and DER particularly meaningful for assessing stock-price responses. It also examines the 2022–2024 post-pandemic recovery period, when economic normalization, cost pressures, commodity volatility, and changing investor expectations may have altered the way financial information is reflected in share prices. Methodologically, the study applies a parsimonious model that isolates the partial and simultaneous effects of asset efficiency, shareholder returns, and capital structure, thereby assessing whether core internal financial information alone remains sufficient to explain stock-price variation. Accordingly, the study provides sector-specific and period-specific evidence on the relevance of accounting signals in a cyclical and capital-intensive industry (Morris, 1987; Zarefar & Armadani, 2024).

This research provides empirical evidence for investors, companies, and academics regarding the extent to which asset efficiency, profitability, and capital structure influence stock prices of Basic Materials companies listed on the Indonesia Stock Exchange. The findings are expected to strengthen understanding of financial ratio relevance in capital market accounting studies in Indonesia (Sholichah et al., 2021;

Indradewa & Damayanti, 2025; Ariani & Permatasari, 2025). This study aims to examine the effects of Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER) on the stock prices of Basic Materials companies listed on the Indonesia Stock Exchange.

Signaling theory explains that financial information reduces information asymmetry between management and investors (Healy & Palepu, 2001). In this study, ROA, ROE, and DER serve as signals of company performance and financial risk. Higher ROA and ROE indicate stronger profitability and managerial effectiveness, which may generate positive investor responses. Conversely, a high DER indicates greater reliance on debt and increased financial risk, which may negatively affect investor perceptions and stock prices (Connelly et al., 2011; Zarefar & Armadani, 2024).

Financial performance describes the effectiveness of a company in managing its resources within a certain period. Financial statement analysis provides important information related to profitability, growth, risk, and future prospects, allowing investors to connect accounting information with company value (Nissim & Penman, 2001). Financial ratios serve as analytical tools that simplify financial information and enable comparisons across companies, periods, and industries. Profitability and asset efficiency ratios contain valuable information used by market participants to evaluate company performance (Soliman, 2008). This study measures financial performance through ROA, ROE, and DER, which represent profitability and leverage dimensions. ROA measures the ability of total assets to generate profit, ROE evaluates the return generated from shareholders' equity, while DER reflects capital structure and financial risk. These indicators influence investors' perceptions of company performance and market value (Sholichah et al., 2021).

ROA represents the effectiveness of companies in utilizing assets to generate profits. A higher ROA indicates better asset productivity and may become a positive signal that increases investor confidence. However, ROA interpretation needs to consider industry characteristics because asset-intensive industries generally have different operational structures compared with other sectors (Fairfield & Yohn, 2001; Nissim & Penman, 2001). Previous studies have shown different findings regarding the relationship between ROA and stock prices. Zarefar and Armadani (2024) found that ROA positively affects stock prices, while Nugraha and Artini (2022) reported similar findings in automotive and component companies. However, Ariani and Permatasari (2025) found that ROA does not significantly influence stock prices in Basic Materials companies,

indicating that the effect of profitability may depend on sector characteristics and market conditions.

ROE measures the ability of a company to generate profit from shareholders' equity. A higher ROE generally reflects more effective capital management and may increase investor expectations regarding future returns. However, an increase in ROE does not always indicate improved operational efficiency because it can also result from changes in capital structure, such as increased debt usage (Soliman, 2008). Previous studies found that ROE affects stock prices (Andriani et al., 2023; Nengsih et al., 2024), suggesting that investors consider shareholder returns in evaluating company performance. Nevertheless, Ariani and Permatasari (2025) found that ROE had no significant effect on stock prices in the Basic Materials sector, showing that the relationship between profitability and market valuation remains inconsistent.

DER reflects the proportion of debt relative to equity and provides information regarding company funding structure and financial risk. Myers (1984) explains that financing decisions involve balancing the benefits of debt utilization with the potential risks of financial distress. Debt can support business expansion when managed effectively, but excessive leverage may increase financial burdens and reduce investor confidence. Empirical findings regarding DER remain inconsistent. Nengsih et al. (2024) found a negative relationship between DER and stock prices, while Andriani et al. (2023) and Ariani and Permatasari (2025) found that DER does not significantly affect stock prices. These differences indicate that market responses toward leverage depend on industry characteristics, debt management capability, financing conditions, and future investment prospects.

Previous studies indicate that the relationship between financial performance and stock prices remains inconclusive. Zarefar and Armadani (2024) found that profitability and solvency indicators contribute to explaining stock prices, while Sholichah et al. (2021) confirmed the relevance of financial ratios in stock valuation. However, differences in findings from Andriani et al. (2023), Nengsih et al. (2024), and Ariani and Permatasari (2025) demonstrate that the influence of financial performance may vary depending on industry sector, research period, and company characteristics. Therefore, this study focuses on ROA, ROE, and DER without incorporating market-based ratios such as EPS, PER, or PBV. This approach aims to examine whether fundamental accounting information remains relevant in explaining stock prices of Basic Materials companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

ROA reflects the company's ability to generate profit through the utilization of its assets. A higher ROA indicates more efficient asset management and stronger operational performance. Based on signaling theory, increased ROA provides positive information to investors regarding company effectiveness, which may increase investor confidence and stock prices. Previous research by Zarefar and Armadani (2024) supports the positive relationship between ROA and stock prices. Therefore, the first hypothesis is formulated as follows:

H1: Return on Assets has a positive effect on the stock prices of Basic Materials companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

ROE measures the company's ability to generate returns from shareholders' equity. A higher ROE indicates that management is able to utilize shareholders' capital effectively. Based on signaling theory, this condition can be interpreted as a positive signal regarding company performance and future prospects, which may influence investor decisions and stock prices (Andriani et al., 2023). Therefore, the second hypothesis is formulated as follows:

H2: Return on Equity has a positive effect on the stock prices of Basic Materials companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

DER represents the company's funding structure and financial risk arising from debt utilization. A higher DER indicates greater dependence on external financing, which may increase financial risk and influence investor perceptions. According to Myers (1984), debt decisions involve balancing financing benefits with the risk of financial distress. Empirical evidence from Nengsih et al. (2024) shows that DER has a negative relationship with stock prices. Therefore, the third hypothesis is formulated as follows:

H3: Debt to Equity Ratio has a negative effect on the stock prices of Basic Materials companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

METHOD

This study employs a quantitative approach using secondary data obtained from company annual reports and stock price information. The population consists of Basic Materials companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The sample was selected using purposive sampling based on predetermined criteria relevant to the research objectives. The sampling process resulted in 77 companies with three years of observation, producing a total of 231 observations.

This study focuses on companies in the basic materials sector listed on the Indonesia Stock Exchange. Of the 102 companies identified in this sector, only 77 companies were selected as the research sample. The sample selection was based on the requirement that each company had been listed on the Indonesia Stock Exchange since 2022 and remained listed throughout the 2022–2024 observation period. Companies that were listed after 2022 were excluded because they did not provide data for the entire three-year research period. Therefore, the final sample consisted of 77 companies, resulting in 231 firm-year observations.

The dependent variable in this study is stock price, which represents the market value formed through the interaction between investor demand and supply. Stock price reflects market perceptions of company performance, prospects, and value. This variable is measured using the natural logarithm of the annual year end closing stock price (Ln Closing Price).

The independent variables examined in this study include profitability and solvency indicators. Profitability is represented by Return on Assets (ROA) and Return on Equity (ROE). ROA reflects a company's ability to generate net income through the effective use of its total assets and is calculated by dividing net income after tax by total assets. ROE indicates the company's capacity to generate returns from the equity invested by shareholders, with the ratio determined by dividing net income after tax by total equity. Solvency, meanwhile, is represented by the Debt to Equity Ratio (DER), which compares total liabilities with total equity. This ratio demonstrates the extent to which the company relies on liabilities relative to shareholders' capital and is calculated by dividing total liabilities by total equity.

RESULTS AND DISCUSSION

Results

The descriptive statistical analysis was conducted to provide an overview of the characteristics of the research variables. The analysis includes the minimum, maximum, mean, and standard deviation values of stock prices, Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER). This study consists of 231 observations from Basic Materials companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

Table 1 Descriptive Statistics of Research Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Stock Price (H_SAHAM)	231	2.77	9.21	5.997	1.39765
Return on Assets (ROA)	231	-0.34	0.31	0.0286	0.08711
Return on Equity (ROE)	231	-2.97	1.27	0.0225	0.30082
Debt to Equity Ratio (DER)	231	-7.73	19.27	1.1581	2.14174

Source: Processed secondary data, 2026.

Table 1 shows that stock prices have an average value of 5.997, with a minimum value of 2.77 and a maximum value of 9.21, indicating differences in market valuation among Basic Materials companies. ROA has a positive mean value of 0.0286, suggesting that most companies are able to generate profits from their assets, although some companies experience negative profitability. ROE has an average value of 0.0225, indicating relatively low returns generated from shareholders' equity. Meanwhile, DER has an average value of 1.1581, showing that companies in this sector generally use debt as an important source of financing.

Table 2 Normality Test Results (One-Sample Kolmogorov-Smirnov Test)

Test Statistic	0,081
Asymp. Sig. (2-tailed)	0.001

Source: Processed secondary data, 2026.

Based on Table 2, the results of the normality test using the One-Sample Kolmogorov–Smirnov Test indicate a test statistic value of 0.081 and an Asymp. Sig. (2-tailed) value of 0.001. The significance value is lower than the 0.05 significance level. Therefore, it can be concluded that the residual data are not normally distributed, indicating that the normality assumption of the research model has not been satisfied. However, according to Walpole's Central Limit Theorem, for a sufficiently large sample size ($n \geq 30$), the sampling distribution can be assumed to be approximately normal (Laiman & Hatane, 2017). Since this study employed 77 sample, the data can be assumed to be normally distributed based on the Central Limit Theorem.

The heteroscedasticity test was conducted using the Glejser method to determine whether the regression model has unequal residual variance. A model is considered free from heteroscedasticity when the significance value of each independent variable is greater than 0.05. The Glejser test was employed to detect the presence of heteroscedasticity in the regression model. Heteroscedasticity occurs when the variance of the residuals is not constant across observations, which may result in biased standard errors and unreliable statistical inferences. The test was conducted by regressing the

absolute residual values on the independent variables. If the significance value of each independent variable is greater than 0.05, the regression model is considered free from heteroscedasticity.

Table 3 Heteroscedasticity Test Results (Glejser Test)

Model	B	Std. Error	Beta	t	Sig.
Constant	1.077	0.066	–	16.334	0.000
ROA	0.513	0.742	0.055	0.692	0.490
ROE	-0.211	0.246	-0.079	-0.855	0.394
DER	-0.047	0.029	-0.124	-1.594	0.112

Source: Processed secondary data, 2026.

The results in Table 3 indicate that ROA, ROE, and DER have significance values above 0.05, namely 0.490, 0.394, and 0.112, respectively. These findings indicate that the regression model does not experience heteroscedasticity problems, meaning that the residual variance is relatively constant.

The multicollinearity test was performed to identify the correlation among independent variables. A regression model is considered free from multicollinearity when tolerance values are above 0.10 and VIF values are below 10 (Ghozali, 2013).

Table 4 Multicollinearity Test Results

Variable	Tolerance	VIF
ROA	0.677	1.477
ROE	0.516	1.939
DER	0.718	1.393

Source: Processed secondary data, 2026.

Table 4 shows that all independent variables meet the required criteria. ROA, ROE, and DER have tolerance values above 0.10 and VIF values below 10, indicating that there is no multicollinearity problem in the regression model.

Multiple linear regression analysis was conducted to examine the effect of ROA, ROE, and DER on stock prices. The regression model obtained from the analysis is presented as follows:

$$H_SAHAM = 5.910 + 5.479 ROA - 0.194 ROE - 0.056 DER$$

The regression coefficients and partial hypothesis testing results are presented in Table 5.

Table 5 Multiple Linear Regression and Partial Test Results (t-Test)

Variable	Coefficient (B)	Std. Error	Beta	t-value	Sig.
Constant	5.910	0.108	–	54.763	0.000
ROA	5.479	1.215	0.341	4.509	0.000
ROE	-0.194	0.403	-0.042	-0.480	0.632

Variable	Coefficient (B)	Std. Error	Beta	t-value	Sig.
DER	-0.056	0.048	-0.086	-1.173	0.242

Source: Processed secondary data, 2026.

Table 5 shows that ROA has a positive and significant effect on stock prices, with a coefficient value of 5.479 and a significance value of 0.000. This result indicates that companies with higher efficiency in utilizing assets to generate profits tend to have higher stock prices. Therefore, H1 is supported.

Meanwhile, ROE has a coefficient of -0.194 and a significance value of 0.632, indicating that ROE does not significantly affect stock prices. Although the coefficient direction is negative, the relationship is statistically insignificant. Therefore, H2 is not supported.

DER also has no significant effect on stock prices, with a coefficient of -0.056 and a significance value of 0.242. This indicates that changes in debt proportion relative to equity do not significantly influence investor valuation. Therefore, H3 is not supported.

The coefficient of determination test was conducted to measure the explanatory ability of ROA, ROE, and DER in explaining variations in stock prices.

Table 6 Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.344	0.118	0.107	132.089

Source: Processed secondary data, 2026.

Table 6 indicates that the R Square value is 0.118, meaning that ROA, ROE, and DER explain 11.8% of stock price variations. The remaining 88.2% is influenced by other factors outside the research model. The Adjusted R Square value of 0.107 confirms that the explanatory power of the model is relatively limited. Table 5 shows that the coefficient of determination (R Square) is 0.118, indicating that ROA, ROE, and DER jointly explain 11.8% of the variation in stock prices, while the remaining 88.2% is explained by other variables not included in the model. The relatively low explanatory power suggests that stock prices are influenced by a wide range of firm-specific and macroeconomic factors beyond financial performance ratios. Firm-specific determinants such as firm size, growth opportunities, dividend policy, ownership structure, corporate governance, earnings quality, and business risk may also affect stock prices. In addition, macroeconomic variables, including inflation, interest rates, exchange rates, GDP growth, commodity prices, and overall market conditions, can significantly influence investor expectations and stock price movements. Therefore, the relatively low R Square value does not necessarily indicate that the model is inadequate, but rather reflects the

complexity of stock price determination, which is affected by multiple internal and external factors.

The simultaneous test was conducted to determine whether ROA, ROE, and DER collectively influence stock prices.

Table 7 Simultaneous Test Results (F-Test)

Model	Sum of Squares	df	Mean Square	F-value	Sig.
Regression	53.232	3	17.744	10.170	0.000
Residual	396.057	227	1.745	—	—
Total	449.289	230	—	—	—

Source: Processed secondary data, 2026.

Table 7 shows that the F-value is 10.170 with a significance value of 0.000, which is below the 5% significance level. This result indicates that ROA, ROE, and DER simultaneously have a significant effect on stock prices.

Discussion

The regression results show that Return on Assets (ROA) has a positive and significant effect on stock prices, with a regression coefficient of 5.479 and a significance value of 0.000. This finding indicates that companies with higher ability to generate profits from their assets tend to have higher stock prices. ROA reflects management effectiveness in utilizing company resources, making it an important indicator for investors in evaluating operational efficiency and future profitability prospects.

This result supports previous studies by Zarefar and Armadani (2024), Nugraha and Artini. (2022), and Nengsih et al. (2024), which found that ROA positively influences stock prices. Based on signaling theory, high ROA provides a positive signal to investors regarding the company's ability to manage assets efficiently and generate sustainable profits. Positive market responses toward this information may increase investor demand and contribute to stock price increases.

The significant role of ROA is particularly relevant in the Basic Materials sector because companies in this sector generally operate with high asset intensity, including production facilities, machinery, processing equipment, and inventories. Therefore, asset utilization efficiency becomes an important consideration in assessing company performance (Purnamasari et al., 2026).

The results indicate that Return on Equity (ROE) does not have a significant effect on stock prices, with a regression coefficient of -0.194 and a significance value of 0.632. This finding suggests that the ability of companies to generate profit from shareholders'

equity is not the primary factor considered by investors in determining stock prices within the Basic Materials sector.

This result is consistent with Ariani and Permatasari (2025), who found that ROE does not significantly affect stock prices. Based on signaling theory, financial information is not always directly interpreted as a positive signal by investors. A high ROE does not necessarily represent strong operational performance because it may also be influenced by changes in equity composition or increased leverage. Therefore, investors may consider other indicators, particularly those related to asset efficiency and operational profitability, as more relevant signals in evaluating Basic Materials companies.

The regression results show that Debt to Equity Ratio (DER) does not have a significant effect on stock prices, with a coefficient of -0.056 and a significance value of 0.242. This indicates that the proportion of debt relative to equity does not directly determine stock price movements in Basic Materials companies.

This finding supports the results of Andriani et al. (2023) and Ariani and Permatasari (2025), which found that DER does not significantly influence stock prices. Investors may not interpret high DER solely as a negative signal because debt can be used for productive purposes, such as business expansion, capacity improvement, and operational development. Therefore, the market response depends more on how effectively companies manage debt rather than merely the level of leverage itself.

CONCLUSION

Basic Materials companies are characterized by asset-intensive and capital-intensive operations, where business activities rely heavily on productive assets such as production facilities, machinery, equipment, and raw materials. Therefore, financial performance in this sector is not only determined by profit generation but also by the company's ability to utilize assets effectively to create value.

The results of this study indicate that Return on Assets (ROA) has a positive and significant effect on stock prices. This finding shows that companies with higher ability to generate profits from their total assets tend to have higher stock prices. In the Basic Materials sector, ROA becomes an important indicator because efficient asset utilization reflects strong operational performance and provides positive signals to investors.

Meanwhile, Return on Equity (ROE) does not have a significant effect on stock prices. This indicates that shareholder return is not the primary consideration for

investors in evaluating Basic Materials companies. ROE may provide limited information because it can be influenced by capital structure, equity composition, and debt utilization.

Debt to Equity Ratio (DER) also does not have a significant effect on stock prices. This finding suggests that the proportion of debt relative to equity does not directly determine stock price movements. Investors appear to consider the effectiveness of debt utilization rather than merely the level of leverage when assessing company performance.

This study has several limitations. First, the research model only includes ROA, ROE, and DER and therefore does not incorporate other financial, market, and macroeconomic variables that may influence stock prices. Second, the study is limited to Basic Materials companies listed on the Indonesia Stock Exchange, which restricts the generalizability of the findings to other sectors with different characteristics. Third, the 2022–2024 observation period is relatively short and may not fully capture the long-term relationship between financial performance and stock prices. In addition, the use of purposive sampling and closing stock prices as the sole market measure means that the findings depend on data availability and may not reflect the broader dynamics of the capital market. Future studies should extend the observation period, include companies from different sectors, and incorporate additional financial, market-based, and macroeconomic variables.

Future research may incorporate additional variables such as Earnings per Share (EPS), Price to Book Value (PBV), Net Profit Margin (NPM), company size, sales growth, operating cash flow, dividend policy, and macroeconomic factors, including inflation, interest rates, exchange rates, and commodity prices. Comparative studies across different sectors may also be conducted to obtain broader findings and improve research generalizability.

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