



## The Influence of Return on Assets, Return on Equity, Net Profit Margin, and Debt to Equity Ratio on the Stock Prices of Banking Companies on the Indonesia Stock Exchange (2023–2025)

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**Abstract.** This study aims to analyze the significance of the effect of Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Debt to Equity Ratio (DER) on the stock prices of banking companies listed on the Indonesia Stock Exchange for the period 2023–2025. This study relies on secondary data as its primary data source. The research sample comprises 36 banking firms, which were determined through a purposive sampling approach. The research employs a documentation-based approach for data gathering. To examine the data, several analytical procedures were applied, encompassing tests for classical assumptions, multiple linear regression analysis, partial significance testing through the t-statistic, simultaneous significance evaluation via the F-statistic, and the coefficient of determination to assess model fit. The results conclude that ROA has no significant effect on stock prices; ROE has a significant effect on stock prices; NPM has no significant effect on stock prices; and DER has no significant effect on stock prices. Meanwhile, ROA, ROE, NPM, and DER simultaneously have a significant effect on the stock prices of banking companies listed on the Indonesia Stock Exchange for the period 2023–2025.

**Keywords:** Debt to Equity Ratio; Net Profit Margin; Return On Asset; Return On Equity; Stock Price.

### 1. INTRODUCTION

The banking sector is an important financial intermediary and the foundation of modern financial architecture. This sector constitutes a vital mechanism through which monetary policy directives are transmitted and aggregate economic growth is promoted. How banking corporations whose equities are publicly traded on the IDX adapt and respond to internal and external pressures has always been the focus of global and domestic investors. The stock market for the banking industry is often a leading indicator of the prevailing status of capital market integrity and functional performance. Therefore, changes in bank stock prices serve as a good proxy representing the market's assessment of macroeconomic stability and the microeconomic performance of companies.

A company's valuation is mirrored in its stock price, a figure determined through the competitive interplay of supply and demand forces in the capital market. A firm's stock price embodies the market's anticipation of both future profitability and the uncertainty (risk) linked to that profitability. Banking stocks must be studied carefully, especially through fundamental financial research. When a company demonstrates strong financial results, the market interprets this as a positive cue. Investors are accordingly inclined to raise their stock purchase volume, and this collective action tends to stimulate an upward movement in equity prices.

To evaluate the effectiveness of bank management in generating earnings, investors scrutinize key profitability indicators, including Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). The efficiency with which a bank's total asset portfolio is converted into earnings is effectively reflected by its ROA. ROE reflects the efficiency with which a firm's equity capital is managed in order to advance the financial interests of its shareholders. Serving as a complementary indicator alongside the aforementioned ratios, the Net Profit Margin (NPM) captures a bank's capacity to control operational expenditures, ultimately revealing the degree to which generated operating revenues are successfully converted into net earnings. The Debt to Equity Ratio (DER), by contrast, serves as a measurable proxy for a bank's leverage (i.e., its capital structure), capturing how much of its operational funding derives from debt relative to equity.

**Table 1.** Development of Average Financial Ratios and Stock Prices of KBMI 4 Banks on the IDX (2023–2025).

Year	Average ROA (%)	Average ROE (%)	Average NPM (%)	Average DER (%)
2023	2.55	16.80	24.10	550.20
2024	2.30	15.52	22.50	580.40
2025	2.45	15.90	23.80	565.10

Source: Secondary Data Processed from OJK & IDX Financial Statements (2023–2025).

Empirical data over the past three years (2023–2025) illustrates irregularity and volatility in Indonesia's banking business. Following the pandemic, the banking sector posted its highest net profit in history in 2023, driven by aggressive loan growth and digital efficiency, causing shares of BBKA, BBRI, BMRI, and BBNI to surge. In 2024, against a backdrop of global economic instability and the weakening of the Indonesian Rupiah, Bank Indonesia opted to increase its key policy rate, known as the BI-Rate. This tightening of monetary policy led to higher funding costs, putting pressure on banks' NPM and ROA.

Although there was a slight contraction in profitability in mid-2024, the stock prices of several major banks continued to display robust trends, even reaching new all-time highs at year-end due to investor perception of mature risk management. The implementation of advanced tax systems, such as the Core Tax Administration System (CTAS), began to affect the transparency of corporate tax compliance, indirectly altering the net cost efficiency in the financial statements of listed banking issuers in 2025. This volatility has fuelled theoretical and empirical discussion as to whether traditional financial ratios remain relevant to stock price fluctuations in today's digital banking era. Theoretically, an increase in the DER can signal high credit expansion (positive for stocks) or, conversely, increased liquidity risk (negative for stocks).

Such studies are highly needed as inconsistencies persist in the existing literature. Saputra (2023) established that stock price movements within the banking sector were significantly driven by ROA and ROE in a positive direction, while NPM remained statistically insignificant, a finding consistent with investors' tendency to place greater weight on total asset return metrics. Conversely, Lestari and Wijaya (2024) found that NPM is the biggest predictor of investor decisions, while ROA has lost its significance due to the migration of bank assets to intangible digital assets. Rahmawati (2023) found that DER negatively affects stock value, while Hidayat et al. (2025) demonstrated that high DER in fact reflects public trust in deposits channelled into productive lending.

A key element of originality introduced by this study derives from the specific three-year data window spanning 2023 to 2025, capturing post-pandemic macroeconomic dynamics, a prolonged high interest rate period, the full implementation of banking digitalization, and the adoption of a new financial governance system in Indonesia. This research is important for investors as a tool to guide portfolio decisions, for bank management as a strategic reference for maintaining financial ratios, and for regulators (OJK and Bank Indonesia) to understand the impact of these ratios on capital market stability.

#### Research Objectives

Derived from the research inquiries specified above, the investigation is designed to realize the subsequent key goals: This study aims to examine and quantify the individual (partial) influence of ROA on the stock prices of banking firms registered on the IDX throughout the 2023–2025 timeframe. A key objective is to assess and verify, on a standalone basis, the impact of ROE on the stock valuations of banking entities listed on the IDX for the 2023–2025 observation window. The research further seeks to investigate and measure, in isolation, the effect of NPM on the equity prices of banks whose shares are traded on the IDX during the 2023–2025 period. Another specific goal is to evaluate and confirm the separate (partial) contribution of the DER to the stock prices of banking corporations listed on the IDX across the 2023–2025 period. Finally, the study is designed to analyze and test the joint (simultaneous) explanatory power of ROA, ROE, NPM, and DER on the stock prices of Indonesia Stock Exchange-listed banking companies over the 2023–2025 interval.

## **2. LITERATURE REVIEW**

### **Theoretical Framework**

#### ***Signaling Theory***

According to Spence (1973), the concept of signaling theory posits that a firm's management holds superior knowledge regarding the organization's internal circumstances and its future outlook compared to external parties such as investors. This information gap creates a state of information asymmetry. Mitigating such a discrepancy can be achieved when enterprises deliberately offer audited financial indicators to the market, serving as a reliable signal. In the context of the capital market, formal channels for conveying these signals include quarterly and annual financial statements.

Information about banking issuers announcing increases in profitability metrics such as ROA, ROE, and NPM serves as a positive signal that management has succeeded in optimizing resources to generate profit (Sari, 2024). Such a favorable signal prompts investors to intensify their acquisition of the aforementioned shares, which consequently exerts upward pressure on stock valuations within the secondary market.

#### ***Agency Theory***

To elucidate the nature of agreements between company owners (principals) and their hired managers (agents), Jensen and Meckling (1976) proposed what is now known as agency theory. In highly regulated businesses such as banking, agency conflicts occur not only between shareholders and the board of directors, but also involve the interests of depositors as the largest creditors of the bank (Pratama, 2023).

Personal incentives, for instance bonus schemes or overly ambitious expansion plans, can influence bank management (in their capacity as agents) to pursue utility maximization for themselves. Consequently, they may fail to give due attention to liquidity risks and the bank's ability to remain solvent. Key profitability and leverage indicators, namely ROA, ROE, NPM, and DER are essentially monitoring tools to assess the extent to which agents act in the interest of principals (Hidayat et al., 2025). DER represents the trade-off in agency management in the form of capital structure (leverage) management. When the amount of debt is managed carelessly without adhering to prudent banking standards, the agency costs of debt will increase and the risk of bankruptcy will be higher, resulting in a negative market response and ultimately causing a decline in share price.

#### ***Share Price***

The price of a single share, whether expressed as its nominal or market value, is fundamentally determined by the interplay of supply-side and demand-side forces that

characterize transactions within the resale market. According to Wulandari (2022), equity prices are understood to embody not merely the public perception surrounding a corporation, but equally the shared market sentiment directed toward the projected trajectory of its core financial performance. Under the framework of the Efficient Market Hypothesis (EMH), Fama (1970) contends that a market characterized as semi-strong efficient will have its stock prices fully reflecting past data, public information, and financial statement disclosures without delay. Therefore, the movement of banking share prices on the IDX is quite sensitive to changes in issuer-released profitability and solvency indicators.

### ***Return on Assets (ROA)***

ROA is characterized by Brigham and Houston (2019) as a financial performance metric that reflects the degree to which a corporation can yield net profit following tax deductions in proportion to its total asset holdings. The formula for ROA is:  $ROA = (\text{Net Income After Tax} / \text{Total Assets}) \times 100\%$ . The assets of banking institutions are mainly represented by loan disbursements. Thus, ROA is an important indicator of a bank's efficiency in directing public funds into interest-bearing loan and investment portfolios. Within the RGEC framework encompassing Risk Profile, Good Corporate Governance, Earnings, and Capital as mandated by Bank Indonesia and the Otoritas Jasa Keuangan (OJK), ROA serves as a critical indicator in evaluating the overall soundness of banking institutions; consequently, any fluctuation in ROA figures bears a direct implication on the degree of confidence that investors attribute to a particular bank.

### ***Return on Equity (ROE)***

ROE reflects the extent to which a firm is capable of producing financial returns that benefit its shareholders (Kasmir, 2021). As a financial performance indicator, this ratio establishes a measurable correlation between a company's net income and its total shareholders' equity, expressed through the following formula:  $ROE = (\text{Net Income After Tax} / \text{Total Equity}) \times 100\%$ . The ROE ratio is an important measure for equity investors. This ratio indicates the actual rate of return on the equity they have invested. High ROE reflects maximum efficiency in the internal use of net capital, while also signalling future dividend payment prospects that drive up share prices in the secondary market.

### ***Net Profit Margin (NPM)***

NPM reflects the efficiency of a firm in converting its total sales into net profit, thereby functioning as a critical gauge of overall profitability (Gitman & Zutter, 2015). Operating income in the banking business is primarily generated from net interest income and fee-based income. The formula for banking NPM is:  $NPM = (\text{Net Income After Tax} / \text{Total Operating$

Revenue)  $\times$  100%. NPM demonstrates the bank management's capacity to minimize operational and non-operational costs, including minimizing Loan Loss Provision (LLP) costs from non-performing loans (Sutrisno, 2024). Elevated NPM ratios are indicative of optimized operational performance in banking institutions, a circumstance that tends to generate favorable perceptions among capital market participants.

### **Debt to Equity Ratio (DER)**

The DER is a solvency or leverage ratio that shows a company's capital structure ratio between total liabilities and total equity (Brigham & Houston, 2019). The mathematical formula for DER is:  $DER = (\text{Total Liabilities} / \text{Total Equity}) \times 100\%$ .

The characteristics of DER in the banking business are very unique and differ from other industries. The main component of bank liabilities is Third Party Funds (DPK), which include demand deposits, savings accounts, and public time deposits. Therefore, banks naturally have a much higher DER (which can reach 500% to 800%) than the non-financial sector, without indicating insolvency (Hidayat et al., 2025). However, maintaining DER above the regulatory safety limit still poses substantial liquidity risks that may affect share price volatility.

### **Previous Research**

Despite the growing body of scholarly literature examining the determinants of share price movements within the banking sector, the conclusions remain inconsistent and contradictory. The following is an analytical review of relevant previous research: Saputra (2023) carried out a research work titled "The Effect of Profitability Ratios on Banking Stock Prices with Dividend Policy as a Moderating Variable." For the 2019–2022 period, the authors conducted panel data regression analysis on banking issuers whose shares were traded on the IDX. Both ROA and ROE were found to exert a statistically significant and positive influence on stock price movements. However, NPM was found to have no effect because investors focus more on increasing the total return on assets rather than the net operating profit margin. Rahmawati (2023), in her research titled "Determinants of Stock Prices: A Comparative Study of State-Owned and Private Banks in Indonesia," examined the variables ROA, ROE, and DER for the 2018–2022 period. Her empirical findings showed that ROA and ROE have a consistently positive impact on both groups of banks. In contrast, the DER demonstrated a substantially significant adverse impact on equity valuation in the capital market, because excessive bank liabilities are perceived by investors as a burden that increases the issuer's solvency risk.

Lestari and Wijaya (2024) published a study entitled "The Relevance of Accounting Information Value in the Digital Banking Era: Empirical Analysis of Companies Listed on the Indonesia Stock Exchange." The empirical evidence indicates that the contribution of NPM to equity price appreciation surpasses that of ROA in terms of the magnitude of its positive influence. This gap is caused by banking digitalization, which has successfully reduced operating costs drastically, so the real efficiency shown in NPM is seen by market participants as the most valuable profitability indicator in the modern era. Sari (2024) conducted a study entitled "Analysis of Financial Ratios on Stock Price Movements in the Financial Sector on the IDX" with an observation period of 2020–2023. The results showed that ROA, ROE, NPM, and DER simultaneously have a strong influence on equity prices. ROE had a substantially positive effect, while DER had a weak but fairly large positive effect, which contradicts the belief that bank debt is viewed negatively by investors.

Hidayat, Kusuma, and Siregar (2025), in their study "Re-evaluating Leverage and Profitability in the Indonesian Banking Sector After Digital Transformation," examined the financial statements of commercial banks from 2022–2024. Empirical evidence from this study indicated that profitability metrics, specifically ROA and NPM, contribute positively to maintaining stock price stability over the observed period. Furthermore, the findings of this research indicate that the DER exerts a considerably significant favorable influence on the valuation of banking sector equities, given that the growth in banking obligations attributed to the broadening of third-party funds (DPK) serves as an indicator of substantial depositor trust toward the institution.

### **Research Hypotheses**

The theoretical foundation underpinning this study provides the basis upon which the research hypotheses are formulated. It is further supported by a critical review of existing literature and the conceptual framework described above. H1: Partial estimation results suggest that ROA constitutes a statistically significant positive determinant of stock price movement among banking sector firms registered on the IDX during the 2023–2025 study period. H2: When assessed partially, ROE demonstrates a positive and meaningful effect on the equity prices of banks registered with the IDX during the 2023–2025 period. H3: Considering its individual effect, NPM is found to have a positive and significant impact on the equity prices of Indonesian banking entities listed on the IDX over the 2023–2025 timeframe. H4: From a partial perspective, the DER shows a directionally positive and statistically notable association with the stock valuations of banking companies on the IDX between 2023 and 2025. H5: When assessed in an integrated manner, the financial indicators comprising ROA, ROE, NPM and

DER are hypothesized to jointly exert a statistically significant concurrent influence on the equity valuation of banking institutions publicly traded on the IDX over the observation window spanning 2023 to 2025.

### **3. RESEARCH METHOD**

#### **Research Design**

Within a quantitative research paradigm, this work deploys a design that is both associative and causal in nature. Such an approach enables a methodical assessment of how strongly, and in which direction, the relevant variables exert influence upon one another. Sugiyono (2022) states that associative-causal studies aim to determine cause-and-effect relationships between independent variables (X) and the dependent variable (Y). This study empirically tests the extent to which stock market behavior or Stock Price (Y) is affected by changes in bank financial ratios such as ROA (X1), ROE (X2), NPM (X3), and DER (X4). In terms of data characteristics, this research is a documentary study using panel data (pooled data) that combines time-series data for the period 2023–2025 with cross-sectional data across all banking issuers listed on the IDX.

#### **Population, Sample, and Sampling Technique**

The population in this study includes all companies in the banking subsector listed on the IDX during the observation period from 2023 to 2025. According to official IDX data as of December 2025, there are 47 actively listed banking companies. This study employs a non-probability sampling strategy, specifically through purposive selection, in which participants were deliberately chosen based on predetermined characteristics relevant to the research objectives. To safeguard the internal validity of the collected data, a set of rigorous inclusion criteria was established, outlined as follows: Banking subsector companies consistently listed on the IDX during the observation period (2023–2025).

Eligible banking entities were those that continuously issued audited financial statements alongside their annual reports, each bearing a fiscal year-end of December 31, over three successive years from 2023 to 2025. Issuer financial statements are presented in Indonesian Rupiah (IDR) to avoid exchange rate bias in valuation. Banking companies that did not experience trading suspension by the IDX or extreme corporate actions (delisting) during the period 2023–2025. Possess complete historical data related to the research variables (closing stock price, ROA, ROE, NPM, and DER). The selection process based on the aforementioned criteria yielded a final sample comprising 36 banking firms. Given that the

data spans a three-year observation window, the panel dataset constructed for this investigation encompasses a total of 108 observation units.

### Data Analysis

The processing and analytical treatment of quantitative findings in the present study were carried out by means of the SPSS statistical software package, encompassing four analytical stages: (1) descriptive statistics to summarize the central tendencies and distributions of the variables; (2) a series of classical assumption diagnostics, including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation; (3) multiple linear regression modeling to assess the directional and magnitude-based relationships among variables; and (4) inferential hypothesis evaluation through the partial t-test, simultaneous F-test, and the coefficient of determination ( $R^2$ ) to measure explanatory power. From the analysis, the regression equation developed for this study is presented below:

$$Y = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon_{it} \dots \dots \dots (i)$$

Description: Y = Stock price;  $X_1$  = ROA;  $X_2$  = ROE;  $X_3$  = NPM;  $X_4$  = DER;  $\beta_0$  = Constant;  $\beta_1, \beta_2, \beta_3, \beta_4$  = Regression coefficients;  $\varepsilon$  = Error term; i = Company; t = Observation period.

## 4. RESULTS AND DISCUSSION

### Classical Assumption Test

#### Normality Test

The results obtained from the application of the normality test are shown in Table 2:

**Table 2.** Results of One-Sample Kolmogorov-Smirnov Test.

Description	Value
N	108
Mean (Parameter Normal)	0,0000000
Std. Deviasi (Parameter Normal)	1420.253
Most Extreme Differences -Absolute	.101
Most Extreme Differences -Positive	.101
Most Extreme Differences -Negative	-0,065
Test Statistic	.101
Asymp. Sig. (2-tailed)	0,08 <sup>c</sup>

Notes: Test distribution is normal. Calculated from the data. Lilliefors significance correction. The Kolmogorov-Smirnov normality test yielded a test statistic of 0.101, accompanied by a two-tailed asymptotic significance value of 0.08. Given that this significance value exceeds the conventional threshold of 0.05, sufficient evidence exists to confirm that the

regression residuals follow a normal distribution, thereby satisfying the normality assumption required for valid regression analysis.

### **Multicollinearity Test**

As displayed in Table 3, the results of the test for multicollinearity are as follows:

**Table 3.** Results of Multikolinearitas test.

<b>Model</b>	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>	<b>Tolerance</b>	<b>VIF</b>
(Konstanta)	-291.307	256.907		-1.134	0,259		
Return on Assets	21.585	179.011	0,012	.121	0,904	0,480	2.085
Return on Equity	82.339	37.168	0,233	2.215	0,029	.433	2.309
Net Profit Margin	71.225	16.910	0,501	4.212	0,000	.340	2.942
Debt to Equity Ratio	32.951	14.648	0,157	2.249	0,027	0,986	1.014

Dependent Variable: Stock Price.

As presented in the preceding table, all independent variables demonstrate Tolerance values exceeding 0.1 alongside Variance Inflation Factor (VIF) scores remaining under the threshold of 10. Taken as a whole, the set of diagnostic measures reveals no evidence of problematic multicollinearity in the estimated regression framework.

### **Heteroscedasticity Test**

As shown in Table 4, the heteroscedasticity test yielded the following results:

**Table 4.** Result of Heteroskedastisitas Test (Glejser Test).

<b>Model</b>	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>
(Konstanta)	581.982	174.168		3.341	0,001
Return on Equity	37.673	17.946	0,235	2.099	0,38
Debt to Equity Ratio	-7.206	8.295	-0,075	-0.869	.387
Return on Assets	166.087	97.723	0,204	1.700	0,092
Ln_NPM	76.037	73.745	.113	1.031	.305

Dependent Variable: Abs\_RES2.

Based on the table above, the significance values for all independent variables are > 0.05 (ROE: 0.38; DER: 0.387; ROA: 0.092; Ln\_NPM: 0.305), thus it can be concluded that the model is free from heteroscedasticity.

**Autocorrelation Test**

The test results are presented in Table 5 below:

**Table 5.** Result of Autokorelasi Test (Run Test).

Keterangan	Nilai
Nilai Uji (Median)	-102.80709
Kasus < Nilai Uji	54
Kasus $\geq$ Nilai Uji	54
Jumlah Kasus	108
Jumlah Lari	45
Z	-1,934
Asymp. Sig. (2-tailed)	0,053

Variable: Unstandardized Residual.

The regression diagnostic tests revealed no serious autocorrelation issues. Specifically, the Durbin-Watson statistic stood at 1.204, and the Run Test returned a two-tailed asymptotic significance of 0.053, which is above the 0.05 cutoff. Consequently, the null hypothesis of no significant autocorrelation cannot be rejected.

**Multiple Linear Regression Analysis**

The analysis results are presented in Table 6 below:

**Table 6.** Result of Multiple Linear Regression Analysis.

Variabel	B	Std. Error	Beta	t	Sig.
(Konstanta)	-243.632	329.928		-,738	,462
Return on Assets / X1	299.968	185.118	,168	1.620	,108
Return on Equity / X2	161.348	33.995	,458	4.746	,000
Ln_NPM / X3	158.171	139.696	,107	1.132	,260
Debt to Equity Ratio / X4	28.042	15.713	,134	1.785	,077

Dependent Variable: Stock Price.

Based on the table above, the resulting multiple linear regression equation is as follows:  $Y = -243.632 + 299.968X_1 + 161.348X_2 + 158.171X_3 + 28.042X_4 + e$ . The interpretation of the regression equation is: (1) The constant of -243.632 means that if all independent variables are zero, then the Share Price (Y) is -Rp243,632; (2) Coefficient of  $X_1$  (ROA) = 299.968 means that every 1% increase in ROA will increase the Share Price by Rp299,968 ceteris paribus; (3) Coefficient of  $X_2$  (ROE) = 161.348 means that every 1% increase in ROE will increase the Share Price by Rp161,348 ceteris paribus; (4) Coefficient of  $X_3$  (NPM) = 158.171 means that every 1% increase in NPM will increase the Share Price by Rp158,171 ceteris paribus; (5) Coefficient of  $X_4$  (DER) = 28.042 means that every 1% increase in DER will increase the Share Price by Rp28,042 ceteris paribus.

## Hypothesis Testing

t test (Partial) Based on Table 6, the results of the t test are interpreted as follows: ROA: t value is 1.620 with p value = 0.108 > 0.05. This means ROA does not have a significant effect on Share Price, so H1 is rejected. ROE: t value is 4.746 with p value = 0.000 < 0.05. This means ROE has a positive and significant effect on Share Price, so H2 is accepted. Net Profit Margin (Ln\_NPM): t value is 1.132 with p value = 0.260 > 0.05. This means NPM does not have a significant effect on Share Price, so H3 is rejected. DER: t value is 1.785 with p value = 0.077 > 0.05. This means DER does not have a significant effect on Share Price, so H4 is rejected. F test (Simultaneous) The results of the F test are presented in Table 7 below:

**Table 7.** Result of F Test (ANOVA).

Model	Sum of Squares	df	Mean Square	F	Sig.
Regresi	185.758.082,892	4	46.439.520,723	19,141	0,000 <sup>b</sup>
Residual	249.897.216,182	103	2.426.186,565		
Total	435.655.299,074	107			

Dependent Variable: Stock Price. Predictors: (Constant), Ln\_NPM, DER, ROE, ROA. Results of the F-test revealed an F-value of 19.141 and a p-value of 0.000, indicating statistical significance at the 0.05 criterion. These findings provide sufficient evidence to confirm that ROA, ROE, NPM, and DER exert a collectively significant influence on the Equity Prices of banking firms listed on the IDX throughout the 2023–2025 observation period, thereby supporting the acceptance of H5.

## Coefficient of Determination (R<sup>2</sup>)

**Tabel 8.** Ringkasan Model (Koefisien Determinasi).

R	R Square	Adjusted R <sup>2</sup>	Std. Error Estimasi	Durbin-Watson
0,653 <sup>a</sup>	0,426	0,404	1557,622	1,204

Predictors: (Constant), Ln\_NPM, DER, ROE, ROA., Dependent Variable: Stock Price. An Adjusted R<sup>2</sup> of 0.404 demonstrates that the four predictor variables (ROA, ROE, NPM, and DER) collectively explain approximately 40.40% of the fluctuations observed in share prices of banking sector companies registered on the IDX. Conversely, the residual 59.60% of price variability remains unexplained by the current model, suggesting the substantial influence of external determinants beyond the scope of this investigation, such as broader macroeconomic conditions, political climate shifts, and prevailing investor sentiment within the market.

## **Discussion**

### ***Effect of ROA on Stock Price***

Statistical analysis conducted through SPSS software yielded a t-value of 1.620 for the ROA variable, with an associated significance level of 0.108. Since the obtained probability value exceeds the 0.05 threshold established as the standard criterion for statistical significance, these findings demonstrate that ROA exerts no meaningful influence on share price movements among banking sector companies listed on the IDX throughout the 2023–2025 observation period. Consequently, the first hypothesis (H1), which postulated a significant relationship between ROA and equity price, is rejected due to insufficient empirical evidence.

This finding supports research conducted by Riyyasy et al. (2024), Salsabilla & Herlinawati (2024), and Pertiwi (2025), which state that ROA does not have a significant effect on stock prices. This finding is explicable based on what transpired over the 2023–2025 period, high interest rates pressured ROA through an increase in cost of funds, but investors did not immediately react negatively to this condition because they understood that the decline in ROA was temporary and cyclical. In addition, the migration of bank assets to intangible digital instruments made the calculation of total assets less representative as a denominator in the ROA formula.

### ***Effect of ROE on Stock Price***

The hypothesis testing results revealed a t-statistic of 4.746 and a p-value of 0.000 for ROE, which falls below the 0.05 significance threshold, thereby confirming that ROE exerts a positive and statistically significant influence on the equity prices of banking firms listed on the IDX during the 2023–2025 period. These findings provide empirical support for H2, affirming that ROE significantly determines stock price movement.

This finding aligns with the observations reported by Nugraha (2023), Aprianto & Maithy (2025), Itsnainiyah & Setiawati (2025), and Maulidah et al. (2026), all of whom confirmed that ROE exerts a statistically significant influence on stock price movements. Such evidence aligns coherently with the premises of signaling theory, which posits that an elevated ROE functions as a favorable market signal, conveying to prospective investors that bank management demonstrates sufficient competency in generating optimal value creation for its shareholders. Among various profitability metrics, ROE occupies a uniquely central position from the shareholders' perspective, given that it directly and explicitly quantifies the financial return derived from the equity capital they have committed.

### ***Effect of NPM on Stock Price***

The statistical analysis revealed that the t-statistic associated with Net Profit Margin (NPM) yielded a value of 1.132, with a corresponding significance level of 0.260. Given that this probability value surpasses the conventional alpha threshold of 0.05, sufficient statistical grounds do not exist to establish a meaningful relationship between NPM and the equity valuation of banking sector companies registered on the IDX during the 2023–2025 observation window. As such, the empirical findings fail to lend support to the third hypothesis (H3), which initially postulated that NPM would demonstrate a measurable and significant effect on stock price movement.

The absence of a significant relationship between NPM and stock price is corroborated by a series of studies, including those carried out by Hidayat & Lestari (2023), Putra & Hasanah (2024), and Pratama & Wijaya (2025). This outcome may stem from the inclination of banking-sector investors to place greater emphasis on return-based financial indicators, ROE in particular, as opposed to the degree of efficiency reflected in operating profit margins. In addition, the digital transformation of banking, which fundamentally changes the cost structure, makes NPM comparisons between periods less consistent as a signal for the market.

### ***Effect of DER on Stock Price***

Statistical evaluation through hypothesis testing demonstrates that the t-statistic derived for DER reaches 1.785, while its corresponding p-value of 0.077 fails to meet the 0.05 significance criterion. This finding suggests that DER does not exert a statistically meaningful influence on the share prices of banking firms listed on the IDX during the 2023–2025 observation window. Consequently, the proposed hypothesis H4, which posits a significant effect of DER on stock price, fails to receive empirical support.

There is a notable correspondence between the outcomes emerging from this research and the empirical demonstrations advanced in the work of Lestari & Handayani (2023), Pratama & Handoko (2024), and Saputra & Rahayu (2025), collectively demonstrating that the DER exerts no statistically significant influence on Stock Price. The unique characteristics of the banking sector, where DER is naturally high due to the large amount of Third Party Funds (Dana Pihak Ketiga, DPK), result in banking investors not using DER as the primary benchmark in assessing risk, in contrast to investors in the manufacturing sector. The market tends to have already factored in the inherent leverage characteristics of banking in stock valuation.

### ***Simultaneous Effect of ROA, ROE, NPM, and DER on Stock Price***

The results of the F-test demonstrated a computed F-value of 19.141 with a probability value of 0.000, falling substantially beneath the accepted significance threshold of 0.05. Such statistical evidence confirms that the simultaneous inclusion of ROA, ROE, NPM, and DER produces a meaningful and significant effect on the equity valuations of banking sector companies registered on the IDX during the 2023–2025 observation period. Based on this outcome, sufficient empirical support exists to accept hypothesis H.

Consistent with the empirical findings of Hidayat & Nugroho (2024), Pratama & Sari (2025), and Putra & Wardani (2024), the present study confirms that ROA, ROE, NPM, and DER collectively exert a significant deterministic influence on stock price movement. This finding shows that even though each variable may not always have a significant partial effect, the combination of the four financial ratios is able to comprehensively explain 40.40% of the variation in stock price. This indicates that comprehensive fundamental analysis based on financial ratios remains highly relevant and meaningful as a predictive tool for the market value of publicly listed banking entities.

## **5. CONCLUSION**

An empirical investigation covering 36 banking firms listed on the IDX over the 2023–2025 period yields the following findings. Individually, ROA, NPM, and DER exhibit no statistically significant influence on stock prices. In contrast, ROE demonstrates a significant effect. When assessed jointly, however, all four variables exert a collectively significant impact on the share prices of IDX-listed banking companies during the observed period, accounting for 40.40% of the variation.

Bank management is advised to increase ROE values by optimizing the utilization of equity capital, as this variable most strongly influences market perception. NPM management should also be considered by reducing operational costs to improve profitability. For investors, a comprehensive simultaneous analysis of these four financial ratios is more representative than partial analysis for decision-making in banking stock investments.

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