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Analysis of Financial Ratios on Stock Prices with Profitability as a Moderating Variable for LQ45 Index Companies Listed on the Indonesia Stock Exchange

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A B S T R A C T

The objective of this study is to examine the influence of financial ratios on stock prices, with a particular focus on the role of profitability as a moderating factor among LQ45 index companies listed on the Indonesia Stock Exchange between 2020 and 2023. The independent variables employed in this study are liquidity ratio (CR), solvency ratio (DER) and market value ratio (PER), in addition to profitability (EPS) as a moderating variable. The dependent variable is stock price. This study employs a sample of 23 selected companies included in the LQ45 index. The data analysis method utilised is multiple linear regression. The findings indicate that the liquidity ratio and solvency ratio exert no significant influence on the company's stock price. Conversely, the market value ratio exerts a significant effect on stock prices. Furthermore, profitability does not serve as a moderating variable for the liquidity and solvency ratios, whereas it does for the market value ratios on stock prices.

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INTRODUCTION

Capital markets constitute an integral component of a country's monetary policy. Capital markets provide a conduit for companies to procure long-term capital by issuing securities such as stocks and bonds (Mishkin, 2018).

Among the various forms of financial exchange that occur within the capital market, offerings are among the most prevalent. An offering serves to confirm ownership of a company. Additionally, offerings are securities issued by listed companies with the objective of attracting investors from the general public. Those who hold shares will receive a proportion of the profits (in the form of dividends) derived from the offering in question. The calculation of stock prices can be a significant factor in the formulation of investment strategies, and thus financial experts should accord greater attention to this aspect to ensure the formulation of optimal investment choices (Hartanto, 2018). Stock prices can be employed as a means of gauging the performance of a guarantor or industry. Furthermore, share prices can be regarded as a unit of price or a form of bookkeeping for the various forms of capital owned by a company, or as a mechanical form of ownership in a capital advertisement. Furthermore, the share price can be employed to ascertain the value of the company (Yuniningsih et al., 2019).

It is typical for stock prices to fluctuate on a regular basis. This is attributable to the supply and demand activities undertaken by the sellers and buyers of shares in the capital market. Investment decisions are significantly shaped by fluctuations in stock demand. It is customary for investors to seek information from a variety of sources, both internal and external, prior to making an investment decision.

A company that performs well will inevitably see an increase in its stock price. This occurs because a considerable number of investors are interested in purchasing the company's shares. One of the key indicators of a company's financial health is its financial performance (Yuninigsih et al., 2019). Such metrics can be quantified through the examination of a company's financial ratios, including the current ratio, quick ratio, debt-to-equity ratio, and debt-to-asset ratio. In accordance with signalling theory, company management is obliged to present company performance information through the media in the form of financial reports, with the aim of reducing information asymmetry to shareholders. As elucidated by Spence (1973), the signalling theory posits that companies that demonstrate superior performance can exhibit their distinction

from those that exhibit less favourable performance in the capital market. This study employs LQ45 index companies as its research objects, which are defined as companies that exhibit high liquidity and good market capitalisation. As evidenced by data from the Indonesia Stock Exchange, there has been a notable decline in the growth of LQ45 index share prices. In March 2020, the JCI underwent a substantial decline, reflecting investor apprehension regarding the economic ramifications of the pandemic (CNBC, 2020). A considerable number of stocks exhibited substantial price declines, accompanied by elevated levels of volatility in the stock market. To illustrate, cigarette manufacturers are facing

the prospect of an excise tax increase next year, which is perceived to have an adverse impact on the cost and consumption of their products. Meanwhile, for those in the raw materials sector, which typically utilise imported inputs, the depreciation of the rupiah exerts pressure on raw material costs, which can impact gross profit margins. Furthermore, this has an impact on the movement of related stocks (KONTAN, 2021).

Table 1. Average Growth LQ45 Index Share Price in 2020-2023

	2020	2021	2022	2023
Januari	282.525	264.414	223.775	214.725
Februari	249.91	275.435	245.498	218.548
Maret	199.784	259.055	250.492	218.379
April	207.969	257.115	261.777	209.626
Mei	213.429	248.795	272.149	185.053
Juni	222.024	249.58	243.807	191.289
Juli	239.52	233.913	253.117	201.982
Agustus	248.633	242.339	230.153	200.985
September	224.096	255.609	231.911	229.321
Oktober	232.778	236.815	237.706	207.801
November	257.051	226.135	234.147	203.61
Desember	274.907	225.835	218.814	206.016
Total	2.852.626	2.975.040	2.903.346	2.487.335
Rata-rata	237.719	247.920	241.946	207.278
Pertumbuhan (%)	0	0,043	-0,024	-0,143

Source: Data processed

The table above shows that the average share price growth of the LQ45 index has decreased significantly. In the 2020-2021 period, the value decreased by 0,43%, in 2022 it decreased by -0,24% compared to the previous year, and in 2023 the average share price decreased by -1,43%.

THEORETICAL REVIEW

Signalling Theory

The theoretical framework employed in this study is that of signalling theory. The concept of signalling theory was first introduced by the American economist Michael Spence. In his article, "Job Market Signaling," the theory is examined in detail, with particular attention paid to how parties with different information asymmetries use signals to reduce uncertainty. Investment decisions constitute a significant aspect of economic activity. The fundamental tenet of signalling theory informs investment decisions, wherein companies are driven to disseminate information to investors, anticipating a favourable response from prospective investors (Warouw et al., 2022). In general, the market tends to accept positive information about a company, whereas negative information is largely disregarded. If a company disseminates positive information, then investors will react in a positive manner and be able to distinguish between high-quality and low-quality companies. Such actions may result in an increase in share price and firm value. Conversely, negative

investor sentiment can result in a reduction in investor interest, which may subsequently lead to a decline in company value.

Share Price (Y)

The term "share price" is used to describe the monetary value assigned to one share of a company that is traded in the capital market. The price in question is subject to fluctuations over time. As the share price is a reflection of the performance of the issuer, it is an important factor for investors to ascertain. Indicators may be employed to assess an individual's financial performance (Junaedi et al., 2021). One method of evaluating the performance of a company is to analyse its share price. In the event of investor or shareholder dissatisfaction with the performance of the management team, the option exists to sell the shares and invest in a company with a higher profit potential. A company's share price will decline when it sells its shares, and conversely, an increase in the number of shares sold will result in a corresponding decrease in the share price. In the context of the capital market, a higher share price is indicative of a higher value for the company in question.

Liquidity Ratio (X1)

As posited by Hery (2018: 142), the capacity of a company to fulfil its immediate financial commitments is contingent upon its ability to generate sufficient cash flow. Liquidity represents a crucial indicator for evaluating the financial condition of a company. Liquidity is an indicator of a company's capacity to fulfil its obligations in the immediate future. Companies with high liquidity are better positioned to capitalise on market opportunities and withstand unforeseen financial challenges.

In accordance with the findings of Levina and Dermawan (2019), the liquidity ratio exerts an influence on stock prices. This indicates that companies with high liquidity ratios possess robust financial standing, which is reflected in their elevated share prices. Consequently, the company is able to attract a significant number of investors.

H1 : Liquidity ratio has a positive influence on stock prices.

Solvency Ratio (X2)

The solvency ratio is an indicator used to measure the extent to which a company can rely on its assets to pay off its debts (Hery, 2018: 162). This ratio provides a comprehensive assessment of the liabilities associated with the utilisation of all company resources (Ranti & Pertiwi, 2022). The assumption of debt not only increases the risk profile of the company, but also results in a reduction of funds available for distribution to shareholders in the form of dividends. This is due to the fact that a company will invariably opt to pay off its debts rather than distribute dividends. Consequently, investor confidence in the anticipated return is likely to diminish, which in turn may result in a decline in the company's share price. In other words, an increase in a company's solvency ratio is associated with a decline in its share price.

The findings of Romadhon and Yuniningsih's (2022) research indicate that a negative correlation exists between the solvency ratio and stock prices.

This suggests that the company's profitability has declined, which in turn has resulted in a corresponding decrease in the share price. Consequently, the company is unable to attract investment, which in turn makes it challenging for the company to raise funds.
H2 : Solvency ratio has a negative influence on stock price.

Market Value Ratio (X3)

The market value ratio is a metric employed to assess the financial performance of a company, utilising stock price data from the capital market. The market value of a given security is determined by the prevailing demand and supply conditions in the capital market (Jogiyanto, 2022: 333). A high market value ratio is indicative of an increase in the company's profitability. As a company's profits increase, market participants will seek to acquire these shares, thereby enhancing the company's profitability. Consequently, an increase in market value will result in an increase in share price.

The results of the research conducted by Firdaus & Kasmir (2021) indicate that the market value ratio has a positive influence on stock prices. The market value ratio is an indicator of the valuation placed upon a company by investors. If investors perceive a company to have favourable growth prospects and a high intrinsic value, they are willing to pay a premium price per share.
H3 : Market Value Ratio has a positive influence on stock prices.

Profitability as a Moderating Variable on the Effect of Liquidity Ratio on Stock Price

An increase in profitability is typically accompanied by an increase in a company's liquidity, which is a key factor driving investor interest in purchasing the company's shares. Conversely, a reduction in profitability will result in a weakening of the company's solvency, leading investors to divest their holdings in the company's shares.

The research conducted by Mukhtasyam et al. (2020) revealed that the impact of liquidity ratios on stock prices can be significantly moderated by profitability.
H4 : The effect of Liquidity ratio on Stock Price can be moderated by Profitability

Profitability as a Moderating Variable of the Effect of Solvency Ratio on Stock Price

An increase in profitability will result in a reduction of the solvency ratio. In order for the company to be able to finance its operating costs, it is evident that the company has no desire to take on debt. It is typical for companies with high profitability to finance their working capital with equity, given the low risk involved.

The research conducted by Mukhtasyam et al. (2020) revealed that the impact of solvency ratios on stock prices can be significantly moderated by profitability.

H5 : The effect of Solvency ratio on Stock Price can be moderated by profitability.

Profitability as a Moderating Variable of the Effect of Market Value Ratio on Stock Price

The increase in profitability has an impact on increasing investor interest in buying the company's shares. Increased purchases of company shares affect the increase in market value. An increase in market value gives investors confidence that the company will continue to be successful in the future, thus supporting sustainable share price growth.

Research conducted by Romadhon & Yuniningsih (2022), resulted in research that the effect of market value ratio on stock prices can be moderated by profitability significantly.

H6 : The effect of Market Value ratio on Share Price can be moderated

Conseptual Framework

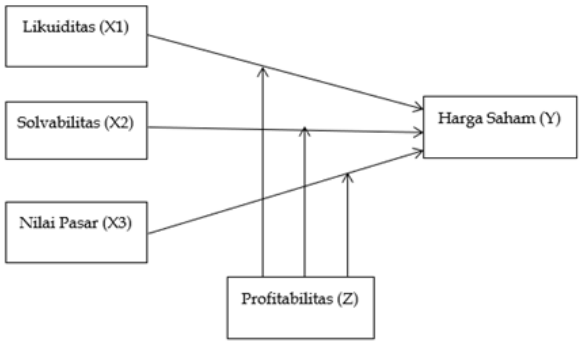

Figure 1. Conseptual Framework

METHODOLOGY

This research employs a quantitative methodology. The variables employed in this study comprise three independent variables, one dependent variable and one moderating variable. The independent variables employed are as follows: (a) Liquidity Ratio (X1), (b) Solvency Ratio (X2), and (c) Market Value Ratio (X3). The dependent variable is the stock price (Y), while the moderating variable is the profitability ratio (Z). The data for this study were sourced from the annual report of the LQ45 index company, which is available on the official IDX website (www.idx.co.id) and has been processed by the researchers. The study population comprised 45 LQ45 index companies listed on the Indonesia Stock Exchange in 2023. The sample was selected from the general population on the basis of pre-established criteria, resulting in the inclusion of 23 companies. The data obtained were then subjected to processing by the researchers using the SPSS application.

Data Analysis Technique

The data analysis technique employed is multiple linear analysis. The technique of multiple linear regression analysis (also known as moderated regression analysis) is employed to identify solutions to research problems, both individually (in a partial manner) and both simultaneously (in a simultaneous manner). The rationale for employing this analytical technique is

to ascertain whether there is an influence exerted by several independent variables on the dependent variable. It is hypothesised that there is a functional relationship between the two variables, whereby one exerts influence over the other.

The regression equation in this study is as follows:

$$\mathbf{Y} = \alpha + \beta\mathbf{1}X\mathbf{1} + \beta\mathbf{2}X\mathbf{2} + \beta\mathbf{3}X\mathbf{3} + \beta\mathbf{4}\mathbf{Z} + B\mathbf{1}X\mathbf{1}\mathbf{Z} + B\mathbf{2}X\mathbf{2}\mathbf{Z} + B\mathbf{3}X\mathbf{3}\mathbf{Z} + e$$

Description:

Y	: Stock price
α	: Constant
β1,β2,β3	: Regression coefficients for independent variables
X1	: Liquidity Ratio (*Current Ratio*)
X2	: Solvency Ratio (*Debt to Equity Ratio*)
X3	: Market Value Ratio (*Price to Earnings Ratio*)
e	: *error term*

Classical Assumption Test

The purpose of the classical hypothesis test is to determine whether the results of this research estimation contain normality, multicollinearity, heteroscedasticity and autocorrelation.

The objective of the multicollinearity test is to ascertain whether there is a correlation or relationship between the independent variables (IVs) included in a regression model. The data is deemed to be non-multilinear if the variance inflation factor (VIF) is less than 10, and vice versa. The objective of the heteroscedasticity test is to ascertain whether there are discrepancies between the residual observations in a regression model, which is defined as homoscedasticity. The data is deemed to be heteroscedastic if the significance level is greater than 0.05, and vice versa. The autocorrelation test is a statistical tool employed to ascertain whether there exists a correlation between current and past user errors. The objective of the normality test is to ascertain whether the confounding or lag variables in the regression model are distributed normally. The data is deemed to be normally distributed if the significance level is greater than 0.05.

Hypothesis Test

Hypothesis testing is employed for the purpose of drawing conclusions regarding the problems under study. The hypothesis tests employed include simultaneous tests (F-test), partial tests (t-test), and the coefficient of determination (R).

The F-test is employed to ascertain the impact of all independent variables, including liquidity, solvency, market value and profitability, on the dependent variable, namely stock price. The dependent variable is the stock price. The F-test yields a statistically significant result ($p < 0.05$), indicating that the independent variables exert a simultaneous influence on the dependent variable, and vice versa.

The t-test is employed to assess the impact of specific independent variables (liquidity ratio, solvency and market value) while assuming that other variables remain constant. A decision is made to accept the null hypothesis in the t-test if the p-value is less than 0.05. This indicates that there is a statistically significant influence between the independent and dependent variables.

The coefficient of determination (R^2) is employed to ascertain the extent to which the model is capable of elucidating the dependent or dependent variable. The coefficient of determination falls within the range of 0 to 1. A value approaching 1 indicates an enhanced regression outcome, thereby substantiating the assertion that the independent variable is capable of elucidating the trajectory of the dependent variable.

RESULTS

Classical Assumption Test

The Normality Test obtained the results of the Liquidity ratio variable (X1) = 0.002, the Solvency Ratio variable (X2) = 0.000, the Market Value variable (X3) = 0.200, and the Profitability Ratio variable (Z) = 0.00. Based on the normality test, only the Market Value Ratio variable is normally distributed. However, the Liquidity ratio, Solvency ratio, and Profitability ratio variables are not normally distributed because the significance value is <0.05 (5%). However, the data quality test shows that there are no outliers so that the data is of good quality and can be processed further.

The Multicollinearity Test obtained the results of the Liquidity ratio variable (X1) =1.893, the Solvency ratio variable (X2) =1.936, the Market Value ratio variable (X3) =1.469, and the Profitability variable (Z) = 1.431, showing no symptoms of multicollinearity where the value on the VIF on the variable <10.

Heteroscedasticity test obtained the results of the Liquidity ratio variable (X1) = 0.606, Solvency ratio variable (X2) = 0.353, Market Value ratio variable (X3) = 0.424, and Profitability variable (Z) =0.094. There is no significant correlation between the residuals and the independent variables. Where the 4 variables have a significance value> 0.05 so that there is no Heteroscedasticity.

The autocorrelation test shows the Durbin-Watson (DW) value of 2.210, the number of data (N) = 74 and the number of independent variables (K) = 4 and $\alpha = 0.05$ is dL = 1.5302 and dU = 1.7423. Because DW = 2.210> Du = 1.7423, there is no positive autocorrelation / negative autocorrelation.

Hypothesis Test Data

The F test resulted in a calculated F value = 52.126 sig. 0.000 <0.05 clearly positive. This means that the liquidity ratio (X1), solvency ratio (X2), market value ratio (X3) and profitability (Z) together (simultaneously) have a significant effect on stock prices (Y).

The t test provides the following results: 1) liquidity ratio has no significant effect on stock price, 2) solvency ratio has no significant effect on stock price, 3) market value ratio has a significant effect on stock price, 4) profitability cannot moderate the effect of liquidity ratio on stock price, 5)

profitability cannot moderate the effect of solvency ratio on stock price, 6) profitability can moderate the effect of market value ratio on stock price.

The coefficient of determination (R2) = 0.751, meaning that the stock price is influenced by the independent variables, liquidity ratio, solvency, market value, and profitability by 75.1%, while the remaining 24.9% is influenced by other factors outside the model.

Moderated Regression Analysis

Table 2. Moderated Regression Analysis Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3936.208	1096.005		-3.591	.001
	CR	7.231	285.226	.002	.025	.980
	DER	114.494	182.402	.052	.628	.532
	PER	270.677	34.807	.566	7.776	.000
	EPS	11.010	.763	1.036	14.422	.000
	X1Z	-.016	.019	-.003	-.816	.417
	X2Z	.021	.018	.004	1.143	.257
	X3Z	.999	.004	1.001	232.694	.000

a. Dependent Variable: HARGA SAHAM

Source : Data processed

Table 2 explains the moderation regression equation obtained is as follows:

$Y = -3936.208 + 7.231X1 + 114.494X2 + 270.677X3 + 11.010Z - 0.016X1\ Z + 0.021X2\ Z + 0.999X3\ Z + \mu$

The moderation regression equation above can be described as follows:

a. Constant (β0) = -3936,208
   The constant value of -3936.208 indicates that if the Current Ratio (X1), Debt to Equity Ratio (X2), Price Earnings Ratio (X3), and Earning Per Share (Z) are zero or constant. Then the Share Price value is -3936,208.
b. Regression Coefficient of CR (X1) on Stock Price
   The regression coefficient value of CR (X1) = 7.231 with a positive coefficient value, which means that it shows a unidirectional change between CR (X1) and Stock Price (Y). This implies that every increase in Current Ratio (X1) by one unit, the Stock Price variable (Y) increases by 7.231. Likewise, on the contrary, every decrease in Current Ratio (X1) by one unit, the Stock Price variable (Y) increases by 7.231, decreased by 7.231 with the assumption that the other independent variables of the regression model are fixed.
c. Regression Coefficient of DER (X2) on Stock Price
   The regression coefficient value of DER (X2) = 114.494 with a positive coefficient value, which means that it shows a unidirectional change between DER (X2) and Stock Price (Y). This is means that every increase in Debt to Equity Ratio (X2) by one unit, the Stock Price variable (Y) increases by 114.494. Likewise, on the contrary, every decrease in Debt to

Equity Ratio (X2) by one unit, the Stock Price variable (Y) decreases by 114.494 assuming that the other independent variables of the regression model remain constant.

d. Regression coefficient of PER (X3) on Stock Price
   The coefficient value of PER (X3) = 270.677 with a positive coefficient value, which means it shows a unidirectional change between PER (X3) and Stock Price (Y). This implies that every increase in Price Earnings Ratio (X3) by one unit, the Stock Price variable (Y) increases by 270.677. Likewise, on the contrary, every decrease in Price Earnings Ratio (X3) by one unit, the Stock Price variable decreases by 270.677, assuming that the other independent variables of the regression model remain constant.
e. EPS regression coefficient (Z) on Stock Price
   The coefficient value of EPS (Z) = 11.010 with a positive coefficient value, which means it shows a unidirectional change between EPS (Z) and Stock Price (Y). This implies that every increase in Earnings Per Share (Z) by one unit, the Stock Price variable (Y) increases by 11.010. Likewise, on the contrary, every decrease in Earnings Per Share (Z) by one unit, the Stock Price variable (Y) decreases by 11.010 assuming that the other independent variables of the regression model remain constant.
f. Regression coefficient of X1*Z interaction on Stock Price
   The coefficient value of X1*Z = -0.016 with a negative coefficient value, which means that it shows unidirectional changes between X1*Z and Stock Price (Y). This implies that for every one unit increase in X1*Z, the Stock Price variable (Y) decreases by -0.016. Likewise, on the contrary, every decrease in X1 * Z by one unit, the Stock Price variable (Y) increases by - 0.016, assuming that the other independent variables of the regression model remain constant.
g. Regression coefficient of X2*Z interaction on Stock Price
   The coefficient value of X2*Z = 0.021 with a positive coefficient value, which means that it shows a unidirectional change between X2*Z and Stock Price (Y). This means that every time X2*Z increases by one unit, the Stock Price variable (Y) increases by 0.021. Likewise, on the contrary, every decrease in X2 * Z by one unit, the Stock Price variable (Y) increases by 0.021, assuming that the other independent variables of the regression model remain constant.
h. Regression coefficient of X3*Z interaction on Stock Price
   The coefficient value of X3*Z = 0.999 with a positive coefficient value, which means it shows a unidirectional change between X3*Z and Stock Price (Y). This means that every time X3*Z increases by one unit, the Stock Price variable (Y) increases by 0.999. Likewise, on the contrary, every decrease in X3*Z by one unit, the Stock Price variable (Y) decreases by 0.999, assuming that the other independent variables of the regression model remain constant.

DISCUSSION

Effect of Liquidity Ratio on Stock Price

Liquidity ratio proxied by Current Ratio has no significant effect on the share price of LQ45 Index companies listed on the Indonesia Stock Exchange in 2020-2023. The analysis test results explain that the Current Ratio calculated by comparing current assets with current debt cannot determine the proportion of a company's share price. This variable is considered unable to influence an investor's view of the fundamental value of a company. A high Current Ratio also shows the amount of funds that are idle in the company. The results of this study are in line with research conducted by Rinofah et al (2022), Candra & Wardani (2021), and Laylia & Munir (2022) which concluded that the liquidity ratio (CR) has no significant effect on stock prices.

Effect of Solvency Ratio on Stock price

Solvency ratio proxied by Debt to Equity Ratio has no significant effect on the stock price of LQ45 Index companies listed on the Indonesia Stock Exchange in 2020-2023. The results of this study indicate that the value of Debt to Equity Ratio (DER) cannot affect stock prices. However, companies must still maintain an optimal level of DER so that the high value of DER does not pose a big risk to the company's condition. In this case, investors do not really see the value of DER because some investors see that every growing company definitely needs debt as additional funds in developing its business. These investors do not pay too much attention to the amount of company debt, but see how the company's management manages its debt effectively and efficiently. This research is in line with research conducted by Andriani et al (2023), Laylia & Munir (2022), Mukhtasyam et al (2020), and Manullang et al (2019) which concluded that the solvency ratio (DER) has no significant effect on stock prices.

Effect of Market Value Ratio on Stock price

Market Value Ratio proxied by Price Earnings Ratio has a significant effect on the stock price of LQ45 Index companies listed on the Indonesia Stock Exchange in 2020-2023. The results of this study indicate that companies with a high Market Value Ratio provide information to investors that the company has good financial performance prospects in the future. Conversely, a low Market Value Ratio provides information to investors that t h e company has poor financial performance prospects in the future. A high Market Value Ratio indicates that the company's shares tend to be in demand by investors. This tendency is caused by market or investor expectations of the company to continue to be sustainable in terms of business operations and profit growth in the future. The results of this study are in line with research conducted by Firdaus & Kasmir (2021) which concluded that the Market Value Ratio as measured by the Price Earnings Ratio has a significant effect on stock prices.

The Effect of Liquidity Ratio on Stock Price Moderated by Profitability

Profitability proxied by Earnings Per Share cannot moderate the effect of Liquidity ratio (CR) on stock price. This shows that the profitability of a company

is sometimes not considered by investors as a benchmark in making investments. Profitability is not the determining factor in how liquidity affects stock prices, other factors such as company size, industry sector, or general market conditions may play a role. Companies with high or low profitability do not affect the liquidity of the company, so they have no impact on changes in stock prices. in other words, the stock price remains. This research is in line with research conducted by Rinofah et al (2022) and Endraswati & Novianti (2015) which concluded that Earnings Per Share is unable to moderate the influence between Current Ratio and stock price.

The Effect of Solvency Ratio on Stock Price Moderated by Profitability

Profitability proxied by Earnings Per Share cannot moderate the effect of the Solvency ratio (DER) on stock prices. This shows that the company's profitability is not given much attention by investors in making investment decisions. Profitability is not a determinant of how solvency affects stock prices. In other words, companies with high or low profitability do not affect the company's solvency, so they have no impact on changes in stock prices. meaning the stock price remains. This research is in line with research conducted by Rinofah et al (2022), and Filia et al (2023) which concluded that the profitability ratio (Earnings Per Share) is unable to moderate the effect of the solvency ratio (Debt to Equity Ratio) on stock prices.

The Effect of Market Value Ratio on Stock Price Moderated by Profitability

Profitability proxied by Earnings Per Share can moderate the effect of the Market Value ratio (PER) on stock prices. This shows that the company's Profitability Ratio increases, it will increase the company's Market Value Ratio. And with an increasing Market Value Ratio, the company is seen by investors as capable of producing the best return in the future. If investors have this view, it will make the company's share price increase and vice versa. The results of this study are in line with research conducted by Prasetya & Fitra (2022) which concluded that the profitability ratio (Earnings Per Share) can moderate the relationship between the market value ratio (Price Earnings Ratio) and stock prices.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the analysis and discussion in this study. Researchers draw the conclusion that 1) Liquidity ratio, solvency ratio, market value ratio, and profitability have a positive effect on stock prices simultaneously. While partially 2) Liquidity ratio and solvency ratio have no significant effect on stock prices, 3) Market value ratio has a significant effect on stock prices, 4) Profitability cannot moderate the effect of liquidity ratio and solvency ratio on stock price, 5) Profitability can moderate the effect of market value ratio on stock price.

The advice given by researchers is that the management of the company is expected to always evaluate the company's performance by optimising the use and management of current assets owned as well as possible in order to increase the company's profitability so as to increase the share price which is able to create

a positive perception for investors. Increase operational efficiency to optimise the use of resources and reduce costs, so as to improve the solvency ratio without having to make major changes that could potentially disrupt the market.

FURTHER STUDY

For future researchers, they can add macro variables such as foreign exchange rates or interest rates. The aim is to complement previous research and contribute more varied research results.

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