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FINANCIAL PERFORMANCE AND STOCK PRICES: HOW PRICE EARNING RATIO SHAPES CROSS-SECTOR RELATIONSHIPS IN THE STOCK EXCHANGE

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ABSTRACT

This research aims to analyze the influence of the price-earning ratio as a moderating factor on share prices on the Indonesia Stock Exchange by considering cross-sector differences. The data analysis method uses panel data multiple regression with a fixed effect model approach. Financial performance data was obtained from 72 companies listed on the Indonesia Stock Exchange for the 2018–2022 research period. The research results show that the DER variable has a significant negative effect, DAR has a significant positive effect, ROA has an insignificant positive effect, and ROE has an insignificant positive effect on stock prices. Furthermore, the results of the moderation test show that PER is unable to moderate the influence of DER on share prices. However, PER is able to moderate the influence of DAR, ROA, and ROE on share prices. The results of this research provide insight for academics and implications for policymaking in the Indonesian capital market to understand how the role of PER can influence the relationship between financial performance and share prices in the context of cross-sector companies.

Keywords: *financial performance, price earning ratio, stock price*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh price-earning ratio sebagai faktor moderasi terhadap harga saham di Bursa Efek Indonesia dengan mempertimbangkan perbedaan lintas sektor. Metode analisis data menggunakan regresi berganda data panel dengan pendekatan fixed effect model. Data kinerja keuangan diperoleh dari 72 perusahaan yang terdaftar di Bursa Efek Indonesia periode penelitian 2018–2022. Hasil penelitian menunjukkan bahwa variabel DER berpengaruh negatif signifikan, DAR berpengaruh positif signifikan, ROA berpengaruh positif tidak signifikan, dan ROE berpengaruh positif tidak signifikan terhadap harga saham. Selanjutnya hasil uji moderasi menunjukkan PER tidak mampu memoderasi pengaruh DER terhadap harga saham. Namun, PER mampu memoderasi pengaruh DAR, ROA, dan ROE terhadap harga saham. Hasil penelitian ini memberikan wawasan bagi akademisi dan implikasi bagi pembuatan kebijakan di pasar modal Indonesia untuk memahami bagaimana peran PER dapat memengaruhi hubungan antara kinerja keuangan dan harga saham dalam konteks perusahaan lintas sektor.

Kata Kunci : kinerja keuangan, price earning ratio, harga saham

A. INTRODUCTION

A company's financial performance is a crucial indicator of its overall health and potential for future growth. In the capital markets, this aspect not only garners attention from internal management but also attracts investors seeking to understand the company's value and prospects. One key metric investors use to evaluate a company's valuation is the Price-to-Earnings Ratio (PER) (Krylov, 2018). This indicator serves as a vital parameter to determine whether a company's stock price reflects its true value, is undervalued, or exceeds its fair value (overvalued) (Kennedy & Sinaga, 2022).

The relationship between a company's financial performance and its stock price is not always linear. Instead, it is influenced by the unique dynamics of the sector in which the company operates (Wayan & Anom, 2020). Each sector exhibits distinctive characteristics that shape market responses to financial indicators like the Price-to-Earnings Ratio (PER). For instance, the technology sector typically has a higher PER because investors are willing

to pay a premium for its significant growth potential. Conversely, traditional sectors such as manufacturing often show lower PERs, as growth in these sectors is generally perceived as more stable but less dynamic. These variations underscore how sector-specific factors influence stock valuation patterns in the capital market (Baker, Egan, & Sarkar, 2022).

On a broader level, numerous other factors also affect the determination of a company's stock price. One of these is the Price-to-Earnings Ratio (PER), which evaluates the market price per share relative to earnings per share (Kowaup & Herdjiono, 2021). PER illustrates the extent to which investors are willing to pay for shares compared to the company's earnings potential (Hidayat et al., 2020). In addition to PER, solvency ratios such as the Debt-to-Equity Ratio (DER) and Debt-to-Assets Ratio (DAR) are equally significant. These ratios measure the proportion of total debt relative to equity and total assets, respectively. Analyzing these metrics provides insight into the company's ability to meet its debt obligations, ultimately influencing stock valuation and shaping investor perceptions (Arsal, 2021).

Furthermore, profitability ratios such as Return on Assets (ROA) and Return on Equity (ROE) are critical in assessing a company's financial performance. ROA evaluates how effectively a company utilizes its assets to generate profit, while ROE measures the efficiency of equity use in generating returns (Supriyadi & Terbuka, 2021). These efficiency metrics can significantly impact stock price movements over a given period.

The impact of financial performance on stock prices is not consistent across all industry sectors. Factors such as unique characteristics, risks, and business cycles of each sector contribute to distinct dynamics (Chen, Li, Zheng, Huang, & Wu, 2022). Savvy investors often rely on financial performance data as a foundation for making informed investment decisions, particularly in companies with strong growth potential and profitability (Raut, 2020). As a result, cross-sector research examining the relationship between financial performance and stock prices is essential to provide more comprehensive and nuanced insights.

This study aims to investigate the role of the Price-to-Earnings Ratio (PER) as a moderating variable in the relationship between financial performance and stock prices on the Indonesia Stock Exchange (IDX). By emphasizing variations across industry sectors, the study seeks to offer a deeper understanding of how PER influences the interplay between financial performance and stock valuation in the Indonesian capital market. Cross-sector analysis is particularly relevant, as differences in sector-specific characteristics and business cycles significantly shape how the market evaluates a company's financial performance. This research provides strategic insights for investors and market participants, enabling them to better understand how financial factors and valuation metrics impact investment decisions across different industries.

B. LITERATURE REVIEW

Capital Structure Theory

Capital structure represents a company's permanent financing arrangement, reflecting the balance or proportion between long-term debt and equity. According to (Brigham & Gordon, 1968), the ideal capital structure achieves an optimal balance between risk and return, thereby maximizing stock value. When addressing financing needs, companies must carefully assess their reliance on both internal and external funding sources. In certain situations, businesses may require additional external funds, prompting them to explore financing alternatives such as debt or issuing new equity. In this context, the capital structure theory proposed by (Modigliani & Miller, 1958), highlights two key propositions:

1. *Proposition Without Tax:* This theory asserts that a company's value is unaffected by its capital structure composition. In other words, the firm's value remains constant regardless of whether its projects are financed through debt or equity.
2. *Proposition With Tax:* This proposition posits that a company's weighted average cost of capital (WACC) increases linearly as its debt ratio rises. This is because higher debt levels lead to increased interest expenses, thereby raising the overall cost of capital.

Pecking Order Theory

The pecking order theory, introduced by (Myers, 1984), identifies two primary sources of capital for companies:

1. Companies typically prioritize *internal funding*, such as funds generated from operational results, including cash flow, profits, and depreciation.

2. In situations where internal resources are insufficient, companies turn to *external funding*. In this case, the theory suggests a hierarchical approach to external financing. Firms first issue the safest financial instruments, such as bonds, followed by convertible bonds, and only as a last resort, equity.

The pecking order theory emphasizes that companies prefer internal financing due to its lower associated costs. When external funding is necessary, businesses prioritize debt over equity to maintain a low debt ratio and avoid diluting ownership. However, external debt is generally used in moderation, reflecting the company's preference for minimizing financial risk while fulfilling additional funding requirements.

C. METHOD

This study aims to analyze the relationship between two or more independent variables and a dependent variable. A quantitative approach is employed, utilizing the Fixed Effect Model (FEM) for data analysis. The research focuses on identifying the direct effects of Return on Assets (ROA), Return on Equity (ROE), Debt-to-Equity Ratio (DER), and Debt-to-Assets Ratio (DAR) on stock prices, as well as examining the moderating role of the Price-to-Earnings Ratio (PER). The population of this study consists of all companies listed on the Indonesia Stock Exchange (IDX). A sample of 72 companies from 9 different sectors is selected, covering a five-year period from 2018 to 2022. The equation model used in this study is as follows:

$$Y_{it} = \alpha + \beta_1 X1_{it} + \beta_2 X2_{it} + \beta_3 X3_{it} + \beta_4 X4_{it} + \varepsilon \quad (1)$$

After entering the moderating variables into the equation it will become:

$$Y_{it} = \alpha + \beta_1 X1_{it} + \beta_2 X2_{it} + \beta_3 X3_{it} + \beta_4 X4_{it} + \beta_5 X1^{*} Z_{it} + \beta_6 X2^{*} Z_{it} + \beta_7 X3^{*} Z_{it} + \beta_8 X4^{*} Z_{it} + \varepsilon \quad 2)$$

Note:

Y = Share Price
X1 = Debt of Equity Ratio
X2 = Debt Asset Ratio
X3 = Retutn on Assets
X4 = Return on Equity
Z = Price Earning Ratio
ε = error
i = Firms
t = Tahun

Significance test

Simultaneous F-test to evaluate the model fit and the impact of all independent variables in the study, a simultaneous F-test was carried out

$$F_{hit} = \frac{R^2/(k-1)}{(1-R^2)/(n-k)} \quad (3)$$

Description:
R2: Coefficient of Determination
K: Number of Variables X
N: Number of Samples

Basis for decision making:

If the error probability value is less than 0.05 or the f-count value exceeds the value listed in the f table, this indicates that all independent variables collectively have a significant influence on the dependent variable (Basuki & Prawoto, 2016).

Uji t – statistik (t-Test)

The t-test statistics are used to assess the partial impact between the independent and dependent variables. The t-test is conducted to determine the extent of the independent variable (Basuki, 2017). The hypothesis for the t-test is as follows:

$$t_{hit} = (b_i - b)/Sb_i \quad (4)$$

Description:

bi : Coefficient of the i-th X variable
b : Null hypothesis value
Sb_i: Standard deviation of the i-th independent variable

Uji Koefisien Determinasi (R-Square)

The simultaneous determination coefficient aims to assess the extent to which the model is effective in explaining variations in independent variables in the study (Widarjono, 2018). The R-Square value can be formulated as follows:

$$R^2 = \frac{ESS}{TSS} = \frac{\sum(\hat{Y}_i - \bar{y})}{\sum(Y_i - \bar{y})} \quad (5)$$

Description:

ESS : Explained Sum of Squares $\left(\hat{Y}_i - \bar{y}\right)$

TSS : Total Sum of Squares $(Y_i - \bar{y})$

D. RESULT AND DISCUSSION

Descriptive Analysis

Table 1. Statistik Deskriptif

	STOCK	DER	DAR	ROA	ROE	PER
Mean	4338.531	0.725552	0.240659	0.257072	0.597231	26.69328
Median	1730.500	0.410000	0.220000	0.055000	0.137000	15.22500
Maximum	83625.00	6.780000	0.790000	23.85000	115.4100	464.0000
Minimum	45.00000	0.010000	0.000000	-15.66000	-75.02000	1.070000
Std. Dev.	7855.436	0.959092	0.174496	2.025063	8.330067	44.12994
Skewness	5.548645	3.054874	0.699469	5.385704	6.581620	5.445931
Kurtosis	45.58552	15.24905	2.950360	87.80237	149.1501	42.65847
Jarque-Bera	23401.51	2264.032	23.67719	88298.54	260192.0	20438.08
Probability	0.000000	0.000000	0.000007	0.000000	0.000000	0.000000
Sum	1258174.	210.4100	69.79100	74.55100	173.1970	7741.050
Sum Sq. Dev.	1.78E+10	265.8386	8.799695	1185.155	20053.72	562813.5
Observations	290	290	290	290	290	290

Sumber: Data Processed by Authors

Based on the results of the descriptive statistical test, it can be observed that the stock price variable ranges from 45.00 to 83,625, with an average of 4,338.53 for the 71 companies studied. The company with the minimum stock price is PT. Bumi Resources Minerals, while the company with the maximum stock price is PT. Gudang Garam. The Debt-to-Equity Ratio (DER) variable ranges from 0.01 to 6.78, with an average of 0.72 for the 71 companies studied. The company with the minimum DER value is PT. Indocement Tunggal Prakarsa, while the company with the maximum DER value is PT. Tower Bersama Infrastructure. The Debt-to-Assets Ratio (DAR) variable ranges from 0.00 to 0.79, with an average of 0.24 for the 71 companies studied. The company with the minimum DAR value is PT. Bank BTPN Syariah, while the company with the maximum DAR value is PT. Tower Bersama Infrastructure.

The Return on Assets (ROA) variable ranges from -15.66 to 23.85, with an average of 0.25 for the 71 companies studied. The company with the minimum ROA value is Matahari Department Store, while the company with the maximum ROA value is also Matahari Department Store. The Return on Equity (ROE) variable ranges from -75.02 to 115.41, with an average of 0.25 for the 71 companies studied. The company with the minimum ROE value is Matahari Department Store, while the company with the maximum ROE value is also Matahari Department Store. The Price-to-Earnings Ratio (PER) variable ranges from 1.07 to 115.41, with an average of 464.00 for the 71 companies studied. The company with the minimum PER value is PT. Saratoga Investama Sedaya, while the company with the maximum PER value is PT. Elang Mahkota Teknologi.

Model Estimation

Selection of Panel Data Regression Model

The data analysis in this study uses panel data regression analysis. Static panel data, using the Generalized Least Squares (GLS) model, generally involves three approaches in selecting the estimation model: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) (Widarjono, 2018). Panel data regression analysis consists of several stages, including determining the estimation model and conducting the estimation tests. The results of the three approaches are explained in the following table:

Table 2. Chow and Housman Test

	Prob	Information	Result
Uji Chow	0.0250	< 0,05 accepted	FEM
Uji Howsman	0.0304	< 0,05 accepted	FEM

Sumber: Data Processed by Authors

To select the best model, three methods are used to evaluate model estimation: the Chow Test, Hausman Test, and Lagrange Multiplier Test. The appropriate choice between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) is determined using the Chow Test. Based on the table above, the probability value of the Chow Test is 0.0250. This result indicates that the probability value of F is less than 0.05, so the selected model is the Fixed Effect Model. Furthermore, the results of the Hausman Test, which are used to determine whether to use the FEM or Random Effect Model (REM) in panel data regression, show a probability value of 0.0304. Since the probability value of F is less than 0.05, the selected model is again the Fixed Effect Model.

Classical Assumption Test

Based on these results, the classical assumption test was conducted to ensure the validity of the regression model. The classical assumption tests include checking for multicollinearity, heteroscedasticity, autocorrelation, and normality of residuals. These tests are crucial in verifying that the model does not violate any underlying assumptions, which could otherwise affect the reliability and robustness of the results. By performing these tests, we can assess whether the model meets the necessary assumptions for accurate estimation and interpretation:

Multicollinearity Test

Table 3. Multicollinearity Test Results

	X1	X2	X3	X4
X1	1.0000			
X2	0.7275	1.0000		
X3	-0.0817	0.0385	1.0000	
X4	-0.1975	-0.0746	0.3025	1.0000

Sumber: Data Processed by Authors

The table above shows that the coefficient value of each independent variable has a coefficient value <0.80 so it can be concluded that the regression model does not experience multicollinearity problems (Napitupulu et al., 2021).

Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results

H0: Constant variance
chi2(1) = 1.99
Prob > chi2 = 0.1583

Sumber: Data Processed by Authors

The table above shows that the probability value is 0.15 (> 0.05), so it can be concluded that there is no heteroscedasticity in the model (Napitupulu et al., 2021).

Model Interpretation

Table 5. Fixed Effect Model

Variable	Coefficient	Std. Error	t. Statistic	Prob
C	7.512553	0.0843459	89.07	0.000
DER (X1)	-0.164627	0.0561971	-2.93	0.004
DAR (X2)	0.1169171	0.0507992	2.30	0.022
ROA (X3)	0.0210564	0.0210422	1.00	0.318
ROE (X4)	0.0009274	0.0026995	0.34	0.731

Sumber: Data Processed by Authors

Based on the regression results above, a regression equation can be drawn up, namely:

Y= 7.512553 - 0.164627 X1+ 0.1169171 X2 + 0.0210564 X3 + 0.0009274 X4 + ε

F-Test (Simultaneous)

Table 6. F test result

F-hitung	2,39
F table	2,39
Significance	0,25

Sumber: Data Processed by Authors

The model found a calculated F value of 2.83 > f table (2.39) and a significant value of 0.025 < 0.05, so H0 is rejected and Ha is accepted, meaning that the variables DAR, DER, ROA and ROE have an effect on stock prices.

T-Test (Simultaneous)

Table 7. t Test Results

Variable	Variable	Coefficient	t. Statistic	Prob
C	C	7.512553	89.07	0.000
DER (X1)	X1	-0.164627	-2.93	0.004
DAR (X2)	X2	0.1169171	2.30	0.022
ROA (X3)	X3	0.0210564	1.00	0.318
ROE (X4)	X4	0.0009274	0.34	

Sumber: Data Processed by Authors

Based on the regression results using the Fixed Effect Model, two variables have a significant effect on stock prices. First, the calculated t value for the Debt-to-Equity Ratio (DER) is greater than the t table value (2.93 > 1.96), and the significance value is less than 0.05 (0.000 < 0.05). Therefore, the alternative hypothesis is accepted, indicating that DER has a significant effect on stock prices. Similarly, for the Debt-to-Asset Ratio (DAR), the calculated t value is greater than the t table value (2.30 > 1.96), and the significance value is less than 0.05 (0.004 < 0.05). Hence, the alternative hypothesis is also accepted, meaning that DAR has a significant effect on stock prices. However, the Return on Assets (ROA) and Return on Equity (ROE) variables do not have a significant effect on stock prices.

Test of Determination Coefficient (R2)

Table 8. Determination Coefficient Test

R-Square	0,038
Adjusted R-Square	0,215

Sumber: Data Processed by Authors

Based on the regression results, the R2 (Adjusted R square) value is 0.215 or 21%. The coefficient of determination value shows that the independent variables consisting of DER, DAR, ROA, and ROE are able to explain stock prices by 21%. While the remaining 79% is explained by other variables that are not included in this research model.

Moderated Regression Analysis (MRA)

Table 9. (MRA) Test Results

Variable (Model)	Prob		Imformation
	Before Moderatio	After Moderation	
X1Z	0,003	0,599	Prediktor Moderasi
X2Z	0,005	0,042	Quasi Moderation
X3Z	0,004	0,029	Quasi Moderation
X4Z	0,006	0,001	Quasi Moderation

Sumber: Data Processed by Authors

The moderation variable used, namely the Price Earning Ratio (PER), is unable to moderate the Debt Equity Ratio (DER) as variable X1 and instead functions as a predictor. This indicates that the Debt Equity Ratio variable, when entered into the equation, only has the potential to act as a predictor. Additionally, based on the probability values from the first and second estimation results, the Price Earning Ratio (PER) is able to moderate three variables: the Debt Asset Ratio (DAR) as variable X2, Return on Assets (ROA) as variable X3, and Return on Equity (ROE), with each probability value being below 0.05 (<0.05). It can be concluded that the type of moderation for these three models is Quasi Moderation. This indicates that the Price Earning Ratio (PER), when entered into the equation, has the potential to function both as a moderator and a predictor variable.

Discussion

The Effect of Debt-to-Equity Ratio (DER) on Cross-Sector Stock Prices on the Indonesia Stock Exchange.

Based on the results of panel data regression testing, the Debt-to-Equity Ratio (DER) has a significant negative effect on cross-sector stock prices on the Indonesia Stock Exchange from 2018 to 2022. These findings align with observations by (Nurhayati & Endri, 2020), which show that capital structure volatility can explain changes in stock prices. This is further supported by (Nenu, Vintila, & Gherghina, 2018), who found that leverage is correlated with stock price volatility. Additionally, (Harahap, Septiani, & Endri, 2020), found that the higher the DER, the greater the level of risk investors must bear, as long-term debt increases financial risk, which can, in turn, lead to a decrease in stock prices.

These findings provide evidence that the debt-to-equity ratio is a significant factor in the decline of stock prices for cross-sector companies on the Indonesia Stock Exchange. This is an important consideration for investors, as it indicates a higher financial risk for the company (Arisanti, 2022). Furthermore, with a high debt-to-equity ratio, the company may face limitations in expansion and investment. Another factor contributing to lower stock prices is that a high debt-to-equity ratio creates additional pressure to pay dividends to shareholders, leading to the risk of delayed dividend payments, which makes the stock less attractive.

The Effect of Debt-to-Asset Ratio (DAR) on Cross-Sector Stock Prices on the Indonesia Stock Exchange.

Based on the results of the observations, it shows that the debt-to-asset ratio has a significant positive effect on cross-sector stock prices on the Indonesia Stock Exchange. This finding aligns with the theory proposed by (Sartono, 2017), which suggests that a high debt-to-asset ratio tends to lower stock prices. This is because a high ratio indicates a low proportion of equity financing for assets, which increases the level of risk faced by the company. This finding is also supported by the observations of (Suharti & Tannia, 2020), who found that companies with larger assets relative to their debt or liabilities tend to have strong financial conditions, which increases market demand for their shares and, in turn, raises stock prices.

The Effect of ROA (Return on Assets) on Cross-Sector Stock Prices on the Indonesia Stock Exchange.

Based on the regression results, it shows that ROA (Return on Assets) has no effect on cross-sector stock prices on the Indonesia Stock Exchange. This finding differs from the theory proposed by (Reilly & Brown, 2012), which states that profitability is one of the key variables considered by equity investors. Equity investors use profitability as a key indicator because they are long-term oriented in their investments. This is supported by empirical observations from (Kasmiati & Santosa, 2019), and research by (Restanti, Prasetya, & Khasanah, 2023), which indicate that profitability positively affects stock returns. Positive results suggest that a company's performance is improving and it is becoming more efficient in utilizing its assets to generate high profits. High profits drive demand for shares, causing stock prices to rise. However, the results of this observation are in line with the findings by (Risanti & Murwanti, 2022), which show that Return on Assets (ROA) does not have a significant effect on stock prices in industrial goods sector companies listed on the Indonesia Stock Exchange during 2018-2020.

These findings suggest that there are many other factors influencing stock prices across sectors on the Indonesia Stock Exchange, such as overall financial performance. Investors may place more emphasis on other factors, including net income and product innovation. Furthermore, companies with low ROA due to being in the investment or restructuring phase may experience future income growth, which investors may focus on rather than short-term ROA (Wardoyo, Rini, & Dini, 2022). Additionally, since ROA varies across industries, investors are likely to consider ROA more in the context of specific sectors.

The Effect of ROE (Return on Equity) on Cross-Sector Stock Prices on the Indonesia Stock Exchange.

Based on the regression results, it shows that ROE (Return on Equity) has no effect on cross-sector stock prices on the Indonesia Stock Exchange. This finding differs from the results of (Harahap et al., 2020), who found that ROE has a negative effect on the value of the cable industry sector on the Indonesia Stock Exchange from 2014 to 2018. When ROE shows a high value, the company's value tends to decrease, and vice versa, as ROE is known to have a negative relationship. Partially, return on equity has a significant negative effect. A high ROE indicates that the company may be using excessive debt, which could negatively impact investors. Furthermore, (Endri, Dermawan, Abidin, Riyanto, & Manajemen, 2019), concluded that ROE has a significant positive effect on stock prices and influences the value of manufacturing companies in Bangladesh.

These findings suggest that cross-sector stock prices on the Indonesia Stock Exchange are influenced by various external factors, such as global events, investor sentiment, economic conditions, and others. The diversity across sectors also plays a role. For more stable and established industries, ROE can be a strong indicator due to more stable profits. However, in high-risk, developing sectors like technology, investors may prioritize revenue growth and product innovation over ROE. Additionally, investors may have varying investment preferences, with some focusing on revenue as a performance indicator, while others give more weight to cash flow (Muthi'ah & Chang, 2023). These differing investor patterns and preferences can influence changes in stock prices across sectors on the Indonesia Stock Exchange.

The Influence of Debt-to-Equity Ratio (DER) on Cross-Sector Stock Prices on the Indonesia Stock Exchange with PER (Price-Earnings Ratio) as a Moderating Variable.

Based on the results from Moderated Regression Analysis (MRA), the probability value of the interaction variables between PER and DER is 0.599 (> 0.05). This indicates that PER does not interact with DER in influencing cross-sector stock prices on the Indonesia Stock Exchange. These results confirm previous research by (Absari, 2022), which found that PER does not moderate the relationship between DER and stock prices in a sample of companies listed on the Indonesia Stock Exchange from 2017 to 2019.

These findings provide evidence that stock price assessment involves many factors beyond PER and DER. Variables such as profit growth, cash flow, future company prospects, and other qualitative elements also significantly impact stock prices (Lana & Oktorina, 2024). Therefore, the limitation of PER in moderating the relationship between DER and stock prices may stem from an overly narrow focus on just one aspect of overall stock valuation.

The Effect of Debt-to-Asset Ratio (DAR) on Cross-Sector Stock Prices on the Indonesia Stock Exchange with PER (Price-Earnings Ratio) as a Moderating Variable.

Based on the results from Moderated Regression Analysis (MRA), the probability value of the interaction between PER and DAR is 0.042 (<0.05), indicating that PER has a moderating role in the relationship between DAR and cross-sector stock prices on the Indonesia Stock Exchange. These findings suggest that the Price-to-Earnings Ratio (PER) can regulate the relationship between the Debt-to-Asset Ratio (DAR) and stock prices. When PER is low, the market becomes more sensitive to corporate debt, as reflected in DAR, meaning an increase in DAR can negatively impact stock prices. However, in conditions of a high PER, the market's focus shifts toward profitability and expected growth, which reduces the influence of DAR on stock prices. In such cases, the market is more likely to accept higher levels of debt if the company demonstrates strong profit growth.

The Effect of ROA (Return on Assets) on Cross-Sector Stock Prices on the Indonesia Stock Exchange with PER (Price-Earnings Ratio) as a Moderating Variable.

Based on the results from Moderated Regression Analysis (MRA), the probability value of the interaction between PER and ROA is 0.029 (<0.05), indicating that PER moderates the relationship between ROA and cross-sector stock prices on the Indonesia Stock Exchange. These findings suggest that when PER is high, it reflects the market's optimism about future profit growth. In this situation, an increase in ROA, which indicates strong profitability, can have a greater impact on stock prices because the market is more willing to pay a premium for higher profits. Therefore, PER acts as a moderating factor by influencing how the market evaluates ROA in the context of stock valuation. A high PER can strengthen the relationship between ROA and stock prices, while a low PER can diminish its influence.

The Effect of ROE (Return on Equity) on Cross-Sector Stock Prices on the Indonesia Stock Exchange with PER (Price-Earnings Ratio) as a Moderating Variable

Based on the results from Moderated Regression Analysis (MRA), the probability value of the interaction between PER and ROE is 0.001 (<0.05), indicating that PER has a moderating role in the relationship between ROE and cross-sector stock prices on the Indonesia Stock Exchange. These findings confirm previous research by (Indrianti, 2023), which showed that the Price-to-Earnings Ratio (PER) significantly moderates the relationship between return on equity and stock prices in cement companies listed on the Indonesia Stock Exchange (IDX) for the period 2018–2022, with a moderation effect of 0.677, or 67.7%. In addition, (Ammy & Azizah, 2021), found that PER strengthens the relationship between ROE and stock prices in construction and building sub-sector companies listed on the Indonesia Stock Exchange.

These findings provide evidence that ROE affects a company's ability to generate dividends because the profits generated are typically used to pay dividends to shareholders. However, PER also reflects investor preferences, balancing dividends versus potential capital growth from stock investments. When PER is high, investors are more likely to prioritize company growth over current dividends. Therefore, PER regulates the relationship between ROE and stock prices by reflecting investor priorities for dividends versus capital growth .

E. CONCLUSSION AND SUGGESTION

This study highlights the importance of the Price-Earnings Ratio (PER) as a moderating factor in analyzing the relationship between company financial performance and stock prices on the Indonesia Stock Exchange. The results indicate that the debt-to-equity ratio (DER) and debt-to-asset ratio (DAR) significantly affect stock prices, while the ROA and ROE variables do not show significant results. Furthermore, the PER moderation test can moderate the effects of DAR, ROA, and ROE on stock prices, although it is unable to moderate the effect of DER on stock prices. This underscores the importance of considering external factors, such as company conditions, when making investment decisions.

In summary, this study emphasizes the significance of understanding how the PER value of a company can moderate the relationship between financial performance (stock price) and recognizing cross-sector differences in its influence. With a better understanding of these dynamics, investors can make informed decisions in managing investment risks in the capital market. Overall, this study contributes valuable academic insights into the capital market in Indonesia, highlighting the role of PER as a moderating variable in its relationship to stock prices and stressing the importance of analyzing the phenomenon from a cross-sector perspective to gain a comprehensive understanding.

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