Recognizing the Effect of Profitability as a Moderator in Determining Stock Price Changes

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ABSTRACT

Industrial development plays an important role in supporting Indonesia's economic growth, particularly in the property sector, which attracts increasing investor interest. This study examines the effect of the price earnings ratio, current ratio, and debt to equity ratio on stock prices of property sector companies listed on the Indonesia Stock Exchange, with return on assets as a moderating variable. The study uses panel data from 12 property companies over the 2018–2022 period. Panel data regression with moderation analysis is applied using EViews version 12. The results indicate that the price earnings ratio and return on assets have a significant effect on stock prices, while the current ratio and debt to equity ratio do not show a significant influence. The moderation analysis reveals that Return on Assets strengthens the relationship between the price earnings ratio and stock prices, but does not moderate the effects of liquidity and leverage ratios. The coefficient of determination shows that the independent and moderating variables explain 37.58 % of stock price variation, while the remaining variation is influenced by other factors not examined in this study. These findings provide useful insights for investors and related institutions in evaluating stock price movements in the property sector.

Keywords*: Current Ratio, Debt to Equity Ratio, Price Earnings Ratio, Return on Assets, Stock Prices.*

ABSTRAK

Pengembangan industri memainkan peran penting dalam mendukung pertumbuhan ekonomi Indonesia, khususnya di sektor properti, yang menarik minat investor yang semakin meningkat. Studi ini meneliti pengaruh rasio harga terhadap laba (price earnings ratio), rasio lancar (current ratio), dan rasio utang terhadap ekuitas (debt to equity ratio) terhadap harga saham perusahaan sektor properti yang terdaftar di Bursa Efek Indonesia, dengan return on assets sebagai variabel moderasi. Studi ini menggunakan data panel dari 12 perusahaan properti selama periode 2018–2022. Regresi data panel dengan analisis moderasi diterapkan menggunakan EViews versi 12. Hasil menunjukkan bahwa rasio harga terhadap laba dan return on assets memiliki pengaruh signifikan terhadap harga saham, sedangkan rasio lancar dan rasio utang terhadap ekuitas tidak menunjukkan pengaruh signifikan. Analisis moderasi mengungkapkan bahwa return on assets memperkuat hubungan antara rasio harga terhadap laba dan harga saham, tetapi tidak

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memoderasi pengaruh rasio likuiditas dan leverage. Koefisien determinasi menunjukkan bahwa variabel independen dan moderasi menjelaskan 37.58% variasi harga saham, sedangkan variasi yang tersisa dipengaruhi oleh faktor lain yang tidak diteliti dalam studi ini. Temuan ini memberikan wawasan yang berguna bagi investor dan lembaga terkait dalam mengevaluasi pergerakan harga saham di sektor properti.

***Kata kunci**: Rasio Lancar, Rasio Utang terhadap Ekuitas, Rasio Harga terhadap Laba, Pengembalian Aset, Harga Saham.*

INTRODUCTION

In the current era of globalization, global business competition leads to an information-based economy; companies must be ready to compete by creating value from every product or service they produce. Companies must have a competitive advantage and are expected to improve performance and generate greater profits (Ullah et al., 2020; Andriani et al., 2023). In addition, companies must continue to struggle to maintain their existence; competition between companies significantly impacts company performance. This competition requires companies to work efficiently and improve what they do. Investors with invested capital or prospective investors who will invest monitor the company's performance (Abbas et al., 2018; Mareta et al., 2023). Placing funds in certain business entities to obtain high profits despite the risk of uncertainty is called investment. Before determining the investment choice, investors must be able to accurately analyze the company's financial statements for their investment purposes. The investment chosen can be long-term or short-term (Thai et al., 2025).

In line with economic development, the capital market plays an important role. The capital market is also a barometer of the country's economy (Nguyen & Ao, 2022; Dat & Le, 2022; Mozafarnezhad et al., 2025). The public is increasingly aware of the capital market as an investment destination, as evidenced by the increasing transactions in the capital market. Many Indonesians invest their capital in property sector companies because this sector continues to show strong growth due to rising demand for housing and commercial space. These funds are obtained from the capital market. In addition, the growth of the property industry can also be seen from the increasing number of properties and real estate in big cities. This is because this industry depends on investor funds, so it must be able to maintain its funds in the long term (Soewarno & Nugroho, 2020; Fadlilah et al., 2023).

Stock prices are an essential component of capital market activities and must be considered by investors (Mourad & Ahmed, 2012; Kusuma et al., 2024). Issuer performance correlates with stock price movements, increasing profits from company operations. As a result, companies always consider stock prices when issuing them (Schomburgk et al., 2024). The capital market provides information related to financial reports to potential investors. The financial report includes information on the company's financial condition as evidence of the company's performance (Naghavi et al., 2024). However, balance sheets, profit and loss statements, and cash flow statements alone do not give the best benefit to investors; they need ratio analysis such as solvency, liquidity, profitability, leverage, and activity ratios to make better decisions (Resfitasari et al., 2021).

Many studies have examined the direct effect of Price Earnings Ratio (PER), Current Ratio (CR), and Debt to Equity Ratio (DER) on stock prices in various sectors. For example, according to Frederik et al. (2015), PER has a positive influence on stock price, while Veeravel et al. (2024) found mixed results for liquidity and leverage ratios. However, the results are still inconsistent, especially in the property sector in Indonesia. According to Yustikasari and Fatimah (2022), CR and DER sometimes show no significant effect on stock price in certain industries. Moreover, only a few studies test profitability measured by Return on Assets (ROA) as a moderating variable. According to Jonathan and Purwaningsih (2023), ROA has a strong direct effect on stock price, but its role as a moderator between PER, CR, DER, and stock price is still rarely explored.

Khan et al. (2023) stated that profitability can change the strength of the relationship between financial ratios and stock price, yet empirical evidence in the Indonesian property sector remains limited. This creates a research gap that needs to be filled.

Therefore, this study aims to analyze the effect of price earnings ratio, current ratio, and debt to equity ratio on stock prices of property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the period 2018–2022, with return on assets as a moderating variable. By adding ROA as a moderator, this research tries to give a clearer picture of how profitability can strengthen or weaken the relationship between those financial ratios and stock price. The results of this research will be helpful for related institutions and investors in making decisions based on share prices.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Price Earnings Ratio and Current Ratio on Stock Price

Stock price reflects the market's assessment of a company's current performance and future prospects. Many factors influence stock price movements, but financial ratios remain the most common tools used by investors to predict price changes. Price Earnings Ratio (PER) shows how much investors are willing to pay for each rupiah of earnings. A high PER indicates that the market expects strong future profit growth, so stock price usually rises when PER increases (Frederik et al., 2015). In the property sector, investors often accept a higher PER because they believe in long-term capital gains and rental income growth. This makes PER become one of the favorite ratios for property company valuation.

Current Ratio (CR) measures the company's ability to pay short-term obligations using current assets (Amelia, 2024). According to Nurwita and Ningsih (2020), a healthy CR gives a positive signal to investors because the company is considered safe from liquidity problems, which in turn can support a higher stock price. However, an excessively high CR may also show idle funds that reduce profitability. In property companies that hold large land banks and projects under development, a moderately high CR is often seen as normal and does not always disturb investors. On the other hand, a very low CR can create fear of delayed project completion.

H1: Price earnings ratio has a significant positive effect on stock price.
H2: Current ratio has a significant positive effect on stock price.

Debt to Equity and Return on Assets on Stock Price

The Debt to Equity Ratio (DER) reflects the proportion of a company's financing that comes from debt relative to shareholders' equity. A lower DER indicates that the company relies more on internal funding rather than external borrowing, which reduces financial risk and increases the firm's stability. This condition tends to enhance investor confidence because companies with lower leverage are perceived as being more capable of meeting their long-term obligations and withstanding economic uncertainty (Raygan et al., 2021; Munir et al., 2024). Conversely, a high DER may signal greater financial risk, which can negatively influence investor perceptions and stock valuation (Tuni Lasa & Mustafa, 2023).

Return on Assets (ROA), on the other hand, measures how effectively a company utilizes its total assets to generate profits. A higher ROA indicates efficient asset management and strong operational performance, demonstrating management's ability to convert investments in assets into net income. According to Devita and Arviana (2023), firms with higher ROA are generally viewed as more attractive by investors, as profitability is a key indicator of business sustainability and growth potential, which ultimately contributes to an increase in stock prices (Wongchoti et al., 2020). This indicator is particularly important for property companies, as their business models are highly asset-intensive. High ROA in this sector signals that substantial investments in land and buildings are being managed productively to generate adequate returns (Salim, 2018).

These financial ratios are often analyzed together because they capture different but complementary aspects of a firm's financial condition. While the PER reflects market valuation, the Current Ratio (CR) represents liquidity, the Debt to Equity Ratio (DER) indicates leverage, and ROA measures profitability. Collectively, these indicators provide a comprehensive overview of a company's financial performance and its potential influence on stock price movements (Smulowitz et al., 2019).

H3: Debt-to-equity ratio has a significant negative effect on stock price.
H4: Return on assets has a significant positive effect on stock price.

Moderating Role of Return on Assets

Profitability can change how investors view other financial ratios. When a company has high ROA, a high PER becomes more acceptable because investors believe the company can really deliver the expected profit growth (Drakopoulou, 2016). In contrast, if ROA is low, a high PER may be seen as overvaluation, so the positive effect of PER on stock price becomes weaker. According to Misah and Nurfadillah (2020), ROA is able to strengthen the relationship between PER and stock price in several sectors. In the property sector, this moderating effect is very relevant because many companies trade at high PER due to future project expectations, and strong ROA can justify that premium valuation.

For liquidity and leverage ratios, the role of profitability is also important. A good Current Ratio will be more appreciated by investors if it is followed by high profitability, because it shows that liquid assets are not just sitting idle but support profitable operations (Yasar et al., 2020). Similarly, a high Debt to Equity Ratio will be considered less risky when the company shows strong ROA, because high profit can cover interest and debt payments (Hutauruk et al., 2022). Property companies often carry high debt to finance land acquisition and construction, so investors will feel more comfortable when high DER is accompanied by high ROA that guarantees debt repayment ability. However, empirical evidence about whether ROA really moderates the effect of CR and DER on stock price is still limited and shows mixed results.

Thus, ROA is expected to act as a moderating variable that can strengthen or weaken the influence of other ratios on stock price. The existence of ROA as a moderator is expected to explain why sometimes CR and DER do not show significant results in previous studies perhaps because the profitability factor was not included in the analysis. Based on the arguments above, the hypotheses for the moderating effect are formulated as follows:

H5: Return on assets significantly moderates the effect of price earnings ratio on stock price.
H6: Return on assets significantly moderates the effect of current ratio on stock price.
H7: Return on assets significantly moderates the effect of debt to equity ratio on stock price.

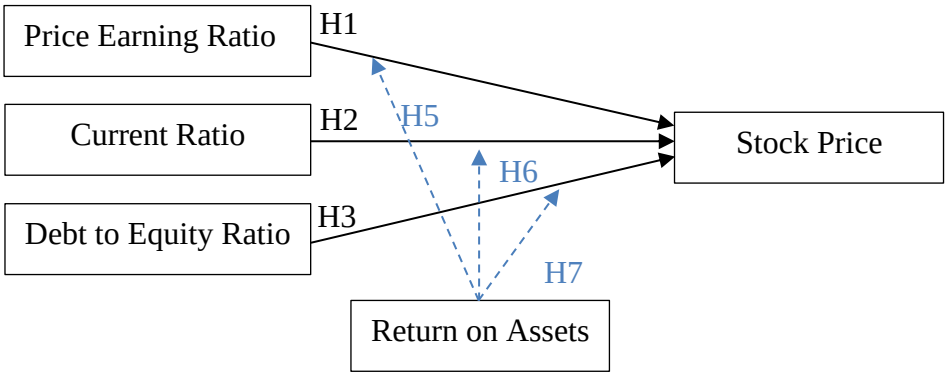

Figure 1. Conceptual Framework

The conceptual framework in this study shows the relationship between independent variables (PER, CR, DER), moderating variable (ROA), and dependent variable (stock price). PER, CR, and DER are expected to directly influence stock price, while ROA not only has a direct effect but also moderates the strength of the relationship between the three independent variables and stock price. According to Jonathan and Purwaningsih (2023), including a moderating variable such as profitability provides a more complete understanding of how financial ratios affect market valuation. The framework is illustrated in Figure 1. This framework becomes the basis for testing all seven hypotheses using panel data regression with moderation analysis. The property and real estate sector is chosen because this sector is capital intensive and very sensitive to changes in financial ratios and investor confidence.

RESEARCH METHODS

This study uses a quantitative approach with panel data regression analysis to examine the effect of financial ratios on stock prices. The population consists of all property and real estate companies listed on the Indonesia Stock Exchange (IDX). Purposive sampling is applied to select 12 companies that meet the criteria: listed continuously from 2018 to 2022, publish complete annual financial reports for the entire period, and have positive equity throughout the study period. The selected companies are ASRI, BCIP, BEST, CSIS, CTRA, DUTI, GPRA, JRPT, POLL, RDTX, SMDM, and URBN. With annual data over five years, the total observations reach 60 firm-year data points. Secondary data are collected from the companies' audited financial statements and yearly closing stock prices published on the IDX official website and Yahoo Finance for the period 2018–2022. Price Earnings Ratio (PER) is calculated as the market price per share divided by earnings per share. Current Ratio (CR) is measured by total current assets divided by total current liabilities. Debt to Equity Ratio (DER) is calculated as total debt divided by total equity, while Return on Assets (ROA) is obtained from net income divided by total assets. Stock price is taken from the closing price at the end of each year as the dependent variable.

The analysis employs Moderated Regression Analysis (MRA) using EViews 12 software. Three independent variables (PER, CR, DER) and one moderating variable (ROA) are included in the model. To test the moderating effect, interaction terms are created by multiplying each independent variable with ROA (PER×ROA, CR×ROA, DER×ROA). Before regression, classical assumption tests are conducted, including normality, multicollinearity, heteroskedasticity, and autocorrelation tests. Panel data model selection is performed through Chow test and Hausman test to decide the most appropriate model among pooled OLS, fixed effect, or random effect. Robust standard errors are applied to handle potential autocorrelation and heteroskedasticity issues. Hypothesis testing uses partial t-test and simultaneous F-test at 5% significance level, while the coefficient of determination (R-squared) shows how much variation in stock price can be explained by the model. Panel data regression is employed because it combines cross-sectional and time-series data, allowing the analysis to capture both firm-specific characteristics and changes over time. This approach increases estimation efficiency and controls for unobserved heterogeneity among companies. Moderated Regression Analysis (MRA) is applied to examine whether profitability (ROA) strengthens or weakens the relationship between financial ratios and stock prices, enabling a deeper understanding of conditional effects that cannot be identified through standard regression models.

RESULTS

This section presents the results of data analysis using EViews 12. The analysis begins with descriptive statistics and classical assumption tests, followed by panel data model selection, regression results, hypothesis testing, and moderated regression analysis

(MRA). All tests use a 5% significance level, and robust standard errors are applied to address potential autocorrelation and heteroskedasticity issues.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Stock price	60	50.00000	11925.00	1484.967	2522.315
PER	60	2.820000	1675.950	90.57983	287.4016
CR	60	0.160000	11.40000	2.617667	2.372413
DER	60	0.010000	2.370000	0.743667	0.531464
ROA	60	0.010000	0.990000	0.330000	0.236751
Valid N (listwise)	60				

Table 1 shows the descriptive statistics of all variables for 60 observations from 2018 to 2022. The average stock price is IDR 1,484.967 with a standard deviation of 2,522.315, indicating high variation among property companies. The maximum stock price reaches IDR 11,925 while the minimum is only IDR 50. PER has a very wide range (minimum 2.82 to maximum 1,675.95) with an average of 90.58, reflecting different market valuations across companies and years. Current ratio averages 2.62 (healthy level above 2), while debt to equity ratio averages 0.74, showing moderate leverage in the sector. Return on assets averages 0.033 or 3.3%, which is relatively low but typical for capital-intensive property companies.

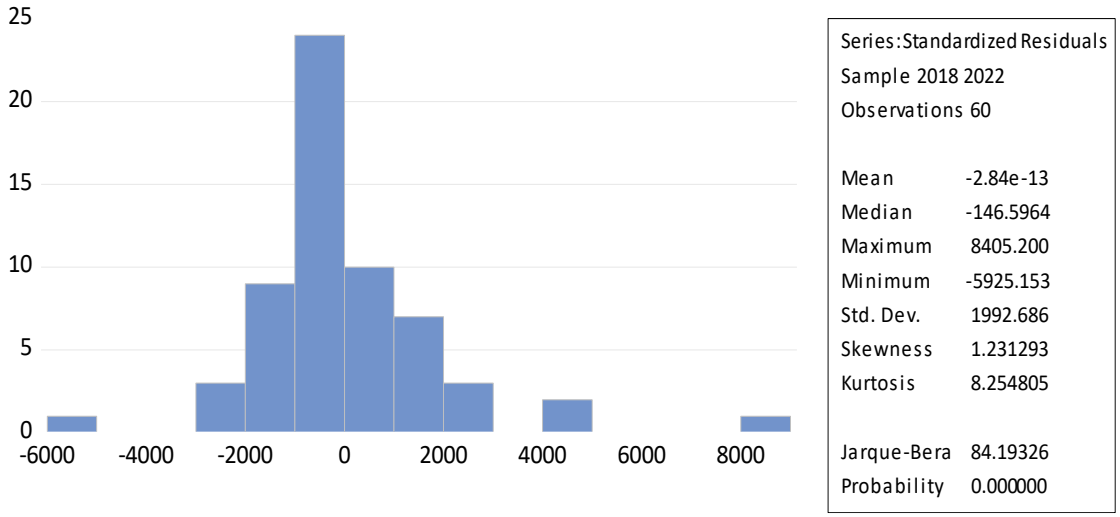

Figure 2. Normality Test

Data is declared normal or well distributed when the acquisition of α < probability. Conversely, when α > probability reflects abnormal data, providing an α score of 0.05. Based on Figure 2, the Jarque-Bera Probability (JB) value is 10.10477, where the JB value is > alpha, which is 0.05 (84.193 > 0.05). It is concluded that the data is usually distributed and that conducting a panel regression test is feasible.

Multicollinearity is stated as undetected in the independent variable because it obtains a VIF score with a Tolerance of 10 and 0.10. Because in the regression equation, multicollinearity is not detected when VIF <10 and Tolerance> 10. Based on the results of Table 2, the PER, CR, DER, and ROA ratios produce a Centered VIF value <10.00. It is concluded that no multicollinearity was found in this research.

Table 2. Classical Assumption Test

Variable	Multicollinearity Test			Heteroscedasticity Test	Autocorrelation Test
	Coefficient Variance	Uncentered VIF	Centered VIF	Prob.	
Constant	463251.5	3.355611	NA	0.3256	
Price Earnings Ratio	0.530458	1.119374	1.087848	0.1128	
Current Ratio	14321.82	1.732528	1.021671	0.1916	
Debt-to-Equity Ratio	177054.7	1.915790	1.206508	0.1020	
Return on Assets	713488.7	1.807964	1.245144	0.2007	
Durbin-Watson					0.695784

The absence of heteroscedasticity indicates that the regression model is good. The Glacier test was applied in this study, with a significance exceeding 5% (0.05), so heteroscedasticity was not detected. A higher probability value is obtained compared to α (0.05), namely PER ($X_{1)}$ 0.1128 > 0.05, CR ($X_{2)}$ 0.1916 > 0.05, DER ($X_{3)}$ 0.1020 > 0.05, and ROA (M) 0.2007 > 0.05. Based on these results, the problem of heteroscedasticity was not found in this data.

In this study, the author uses Durbin-Watson to test autocorrelation. It is said that there is no autocorrelation if DW < (4-dU) and > (dU). Based on the results of Table 4, the Durbin-Watson value is 0.695784, and the values of dL = 1.479, dU = 1.688, and 4-dU = 2.312 are obtained. The results of DW < dU < (4-dU) are 0.6957 < 1.479 < 1.688 < 2.312, each of which is greater than 0.05. In this research, there are no symptoms of autocorrelation.

Model selection tests are performed to determine the best panel data estimation method. The Chow test yields a probability of 0.0000 (< 0.05), rejecting the pooled OLS model in favor of fixed or random effects. The subsequent Hausman test produces a probability of 0.0004 (< 0.05), indicating that the fixed effect model is more appropriate than random effect. Therefore, all regression analyses use the fixed effect model with robust standard errors.

The panel regression analysis was conducted to examine the influence of the price–earnings ratio (PER), current ratio (CR), debt-to-equity ratio (DER), and return on assets (ROA) on stock prices. The results indicate that PER and ROA have statistically significant effects on stock prices at the 1% level, whereas CR and DER do not exhibit significant relationships. The following is the regression equation based on Table 3.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 M + e$$

Share price = -258.87 + 4,537 PER + 33,404 CR + -392.85 DER + 4569.3 ROA + e

The constant value of –258.87 implies that when PER, CR, DER, and ROA are held at zero, the predicted stock price is –258.87. The PER coefficient of 4.537 indicates that a 1 increase in PER, ceteris paribus, leads to a 4.537 increase in stock price. The CR coefficient of 33.404 suggests that a 1% rise in CR increases stock price by 33.404, assuming other variables remain unchanged. Meanwhile, the negative DER coefficient (–392.86) shows that a 1 increase in DER results in a decrease of 392.86 in stock price, all else equal. Finally, the ROA coefficient of 4659.32 demonstrates that a 1 improvement in ROA substantially increases stock price by 4659.32, making ROA the most influential variable in the model.

Table 3. Regression and t-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-258.8732	812.3218	-0.318683	0.7512
Price Earnings Ratio	4.537209	0.986886	4.597503	0.0000
Current Ratio	33.40407	115.8760	0.288274	0.7742
Debt-to-Equity Ratio	-392.8598	564.6197	-0.695795	0.4895
Return on Assets	4659.322	1269.854	3.669180	0.0006

There is a significant impact between the independent and dependent variables when the probability <0.05 is obtained; however, when the probability >0.05 is received, it is concluded that there is no significant impact between the variables. Based on Table 3, the PER probability value of 0.0000 < 0.05 is obtained. H_1 is accepted, and it can be concluded that PER significantly positively affects the stock price of property and real estate sector companies. The CR probability value is 0.7742 > 0.05, then H_2 is rejected, and it is concluded that CR does not significantly affect the company's stock price. On the other hand, DER has a probability value of 0.4895 > 0.05, so H_3 is rejected, and it is concluded that DER does not significantly affect the company's stock price. While ROA has a probability value of 0.0006 < 0.05, then H_4 is accepted, and it is concluded that ROA has a significant positive effect on the company's stock price.

Table 4. F Test

Statisctics	Value
F-statistic	8.280464
Prob(F-statistic)	0.000027

The simultaneous F-test in Table 4 shows an F-statistic of 8.280 with probability 0.000027 (< 0.05). This means PER, CR, DER, and ROA together have a significant influence on stock price. Thus, the model as a whole is valid and acceptable.

Table 5. Determination Coefficient Test

Statistics	Value
R-squared	0.375864
Adjusted R-squared	0.330473

This determination coefficient has a value range of 0-1. If a small R^2 score is produced, it indicates that the independent variable can explain the dependent variable. However, when a significant R2 score is created and approaches 1, all information is provided to estimate the dependent variable by the independent variable. Based on the results of Table 5, the R-squared score was 0.3758 (37.58%). This indicates that the contribution of the price-earnings ratio (X1), current ratio (X2), debt to equity ratio (X3), and return on assets (Z) on Stock Price (Y) is 37.58% and various other variables influence the remaining 62.42% but are not analyzed in this research.

Table 6. MRA Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-951.7360	1033.592	-0.920804	0.3614
Price Earnings Ratio	6.586378	1.280167	5.144936	0.0000
Current Ratio	81.57544	203.6397	0.400587	0.6904
Debt-to-Equity Ratio	-65.30495	823.4312	-0.079308	0.9371
Return on Assets	7606.099	2409.768	3.156361	0.0027
Price Earnings Ratio × Return on Assets	-18.65685	6.928710	-2.692687	0.0095
Current Ratio × Return on Assets	-201.8737	512.0310	-0.394261	0.6950
Debt-to-Equity Ratio × Return on Assets	-1916.073	3020.363	-0.634385	0.5286

An MRA test was conducted to see whether ROA can moderate the independent variables on the company's stock price. Based on the results of the moderation test in Table 6, the effect of PER on stock prices is moderated by ROA by 0.0095, which is a value smaller than the significance level of 0.05. This means that ROA can moderate the relationship between the effect of PER on the stock price of property companies, so H5 is accepted. Furthermore, the impact of CR on stock prices moderated by ROA is 0.6950, so it can be concluded that H6 is rejected, and ROA cannot moderate the impact of CR on the company's stock price. While the effect of DER on stock prices is moderated by ROA by 0.5286, so H7 is rejected. It is concluded that ROA cannot moderate the impact of DER on the company's stock price.

DISCUSSION

The data analysis reveals that the Price Earnings Ratio (PER) has a significant positive effect on the stock prices of property sector companies during the 2018-2022 period. This finding indicates that a higher PER value is likely to be accompanied by an increase in stock prices. It reflects a positive signal for investors, as a high PER suggests strong expectations of future earnings growth, particularly in the property sector, which relies on long-term capital gains and rental income (Frederik et al., 2015; Freihat, 2019). Investors are willing to pay a higher premium for each rupiah of earnings because they believe the company can deliver above-average growth. In the context of Indonesia's property sector, where many firms engage in long-term projects, PER serves as a primary market valuation indicator reflecting investor optimism about the sector's prospects.

In contrast, the Current Ratio (CR) does not exhibit a significant influence on stock prices. Although CR measures a company's ability to meet short-term obligations and the sample's average value is at a healthy level (above 2), increases in CR do not necessarily translate into higher stock prices. This may occur because current assets in property companies often consist of land banks or projects under development that are less liquid in the short term, leading high CR values to sometimes reflect idle funds that pressure profitability (Nurwita & Ningsih, 2020; Habib, 2024). Investors in this sector appear to prioritize growth prospects over short-term liquidity alone, given the capital-intensive nature of the property business.

Similarly, the Debt to Equity Ratio (DER) shows no significant effect on stock prices. While a high DER theoretically heightens financial risk, in Indonesia's property sector, moderate leverage (average of 0.74) is often viewed as acceptable for financing land acquisition and construction (Alzubi & Bani-hani, 2021; Munir et al., 2024). Investors tend to tolerate higher debt levels as long as they are supported by future cash flow projections from property sales. This result suggests that the stock market for property firms on the IDX focuses more on valuation and profitability factors rather than traditional leverage risks.

Meanwhile, Return on Assets (ROA) demonstrates a strong significant positive impact on stock prices, with the highest coefficient among the independent variables. A higher ROA signals efficient management in generating profits from large assets such as land and buildings, which is crucial in this capital-intensive sector (Ekawati & Yuniati, 2020; Dewi et al., 2021; Devita & Arviana, 2023). Investors interpret ROA as evidence of sound managerial performance, thereby boosting share demand and driving price increases.

The moderation analysis indicates that ROA significantly moderates the relationship between PER and stock prices, strengthening the positive effect of PER when profitability is high. This aligns with the argument that high ROA justifies premium PER valuations, as investors are confident the company can realize expected earnings growth (Drakopoulou, 2016; Oktaviani & Agustin, 2017; Misah & Nurfadillah, 2020; Pratama & Indah, 2023). Conversely, ROA does not moderate the relationships between CR or DER and stock prices. For CR, high profitability does not sufficiently alter investor perceptions of idle liquidity (Yasar et al., 2020; Lumbanbatu et al., 2021). Likewise, for DER, debt risk appears to be assessed independently of current ROA levels, although theoretically, profitability should alleviate debt burdens (Hutauruk et al., 2022). These findings help

explain inconsistencies in prior studies, where CR and DER effects are often insignificant due to the lack of testing profitability as a moderator (Yustikasari & Fatimah, 2022; Khan et al., 2023).

Implications of these findings are noteworthy for various stakeholders. For investors, priority should be given to PER and ROA as key indicators when evaluating property stocks, while CR and DER can serve as supplementary tools to assess liquidity and leverage risks without heavily influencing short-term decisions. Company management is advised to enhance asset efficiency to improve ROA, which not only directly impacts stock prices but also bolsters the attractiveness of high PER valuations. For regulators and institutions like the IDX, these results underscore the need for investor education on the role of profitability in moderating valuation ratios, especially in economically sensitive sectors like property. Overall, this study enriches understanding of stock price dynamics in Indonesia's property sector by highlighting the central role of profitability.

CONCLUSION

Based on the research findings and discussion, the price earnings ratio and return on assets have a significant positive effect on stock prices, while the current ratio and debt to equity ratio do not significantly influence stock prices in property and real estate companies listed on the Indonesia Stock Exchange during the 2018-2022 period. Furthermore, return on assets acts as a moderating variable that strengthens the relationship between price earnings ratio and stock prices but does not moderate the effects of current ratio or debt to equity ratio on stock prices. These results highlight the central role of market valuation and profitability in driving stock price movements in Indonesia's property sector, where investors appear to prioritize expectations of future growth and efficient asset utilization over short-term liquidity or leverage concerns.

The implications of this study are valuable for investors, who should focus primarily on price earnings ratio and return on assets when making investment decisions in the property sector, using liquidity and leverage ratios as supplementary indicators. Company management is encouraged to improve asset efficiency to boost profitability, thereby enhancing stock attractiveness. However, the study has limitations, including a relatively small sample of only 12 companies and a focus on the 2018-2022 period, which may not fully capture longer-term trends or broader economic cycles. Additionally, the model explains only about 37.58% of stock price variations, indicating the influence of unexamined variables. Future research could expand the sample size, incorporate additional financial ratios or macroeconomic factors, and extend the analysis to other sectors or longer time frames to provide more comprehensive insights.

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