

Accounting Profit, Leverage, and Firm Size on Stock Prices in the Indonesia Stock Exchange

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Abstract

Purpose: This study examines the influence of accounting profit, leverage, and firm size on the stock prices of manufacturing companies listed on the Indonesia Stock Exchange, a question that remains relevant as Indonesia's capital market continues to navigate post-pandemic volatility, shifting benchmark interest rates, and inflationary pressure through 2026.

Methodology: A quantitative research design was applied using secondary data drawn from audited annual financial statements covering the 2019 to 2023 period. Purposive sampling produced 87 firms that satisfied the sample selection criteria, generating 435 firm-year observations, which were analyzed through panel data regression rather than ordinary multiple regression so that both cross-sectional and time-series properties of the data could be captured.

Results: Model specification tests, namely the Chow test and the Hausman test, indicated that the Fixed Effect Model was the most appropriate estimator. The regression results show that accounting profit exerts a positive and significant effect on stock price, leverage exerts a negative and significant effect, and firm size exerts a positive and significant effect, with an adjusted R square of 0.609.

Conclusions: All three fundamental variables jointly shape stock price movement in a manner consistent with signaling theory and agency theory.

Limitations: The model does not incorporate macroeconomic variables such as interest rates, exchange rates, or inflation.

Contributions: The findings offer investors and corporate managers an updated, evidence-based reference for building investment portfolios and financing policies grounded in current fundamental financial ratios.

Keywords: *Accounting Profit, Firm Size, Leverage, Panel Data Regression, Stock Price*

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1. Introduction

The capital market occupies a central position in a nation's economic machinery because it acts as a bridge connecting parties with excess funds to those who need long-term financing (Tandelilin, 2010). In Indonesia, the Indonesia Stock Exchange (IDX) stands as the primary venue where this bridging function takes shape through the daily trading of equity securities. One of the most direct ways the capital market communicates a firm's underlying value is through the movement of its stock price, and

that movement is shaped by a blend of investor perception toward issuer performance, macroeconomic conditions, and the mood of global markets ([Brigham & Houston, 2019](#)).

Since the world moved beyond the acute phase of the COVID-19 pandemic and into the present period in 2026, Indonesia's capital market has continued to wrestle with considerable volatility driven by geopolitical uncertainty, adjustments to central bank benchmark rates, and swings in domestic inflation. Empirical observation points to anomalies within several manufacturing sub-sectors on the IDX between 2021 and 2023. As the broader economy began to recover, certain industries were squeezed by rising raw material costs that forced aggressive efficiency measures, which in turn produced unstable net income and a climbing leverage ratio. Statistical records from the IDX show that the composite stock price index for the manufacturing sector fluctuated quite sharply during this window, a pattern that underscores an important point for market participants: investment decisions cannot rest on market sentiment alone but must be grounded in a careful reading of issuer-specific financial fundamentals.

Among the performance indicators most frequently scrutinized by market participants, accounting profit remains the one most closely watched. Consistent growth in net income tends to generate a positive signal regarding operational efficiency ([Scott, 2015](#)). Yet pursuing profit growth often pushes companies toward external financing in the form of debt, and the extent of that debt reliance can be captured through leverage ratios. Excessive reliance on debt raises the risk of higher interest burdens and the possibility of default, both of which are viewed unfavorably by market participants ([Kasmir, 2017](#)). Alongside profitability and leverage, firm size, commonly proxied through the scale of an issuer's assets, also functions as a determinant of financial stability. Larger issuers are generally regarded as more resilient when facing disruptions from shifting market conditions than their smaller counterparts ([Riyanto, 2015](#)).

Even though the relationship between financial ratios and stock prices has already attracted extensive research attention, prior studies continue to produce inconsistent findings, creating a persistent research gap. [Fadhilah and Widajantie \(2024\)](#) as well as [Hapsari et al. \(2025\)](#) found that internal financial performance indicators exert a positive influence on market value, whereas other studies point to a more complicated picture in which certain fundamental indicators do not move in a straightforward linear fashion with investor expectations on the trading floor. [Ali et al. \(2022\)](#) likewise note that the strength of the earnings-price relationship can vary considerably across market contexts. This inconsistency is partly attributable to methodological choices that overlook firm-specific heterogeneity and the passage of time. For that reason, the present study differentiates itself by updating the analytical approach through panel data regression, a technique capable of uncovering relationships that unfold across both space, meaning differences between firms, and time, meaning changes within firms across years.

Building on the background above, this study addresses the following research questions. First, does accounting profit affect stock price among manufacturing companies listed on the IDX during the 2019 to 2023 period. Second, does leverage affect stock price among the same population of firms over the same period. Third, does firm size affect stock price among these firms. Fourth, do accounting profit, leverage, and firm size jointly affect stock price among manufacturing companies listed on the IDX during 2019 to 2023. Answering these questions is expected to sharpen investors' understanding of which fundamental signals genuinely move stock prices in the current market environment, while also giving corporate managers a clearer picture of how financing and profitability decisions filter through to market valuation.

The manufacturing sector was deliberately chosen as the research context because it represents one of the largest and most heterogeneous groups of issuers on the Indonesia Stock Exchange, spanning sub-sectors ranging from basic industry and chemicals to consumer goods and textiles. This heterogeneity makes manufacturing firms a particularly informative setting for testing fundamental theories of stock price formation, since firms within the sector differ substantially in scale, capital intensity, and exposure to input cost volatility. A shock to global commodity prices, for instance, does not affect a

large integrated producer in the same way it affects a smaller downstream processor, and this variation gives the panel data approach used in this study genuine cross-sectional texture to work with, in addition to its time-series depth.

From a practical standpoint, understanding how accounting profit, leverage, and firm size interact to shape stock prices carries direct relevance for at least three groups of stakeholders. Investors benefit from a clearer sense of which fundamental ratios deserve weight when screening manufacturing issuers for a portfolio, particularly during a period in which macro conditions remain unsettled and rules of thumb from the pre-pandemic era may no longer hold with the same force. Corporate managers benefit from evidence on how the market rewards or penalizes financing choices, since a firm's decision to expand its debt load in pursuit of growth carries a market-price consequence that this study attempts to quantify. Regulators and market authorities, meanwhile, gain a data point on how efficiently the Indonesian capital market processes fundamental information, since a strong and significant relationship between financial ratios and stock price is itself evidence of a reasonably informationally efficient market at the semi-strong level.

The remainder of this article is organized as follows. Section two reviews the theoretical foundations of signaling theory and agency theory and develops the hypotheses tested in this study. Section three describes the research methodology, including the sample selection procedure, variable operationalization, and the panel data estimation strategy. Section four presents the empirical results together with a discussion of their theoretical and practical implications. Section five closes the article with concluding remarks, a discussion of the study's limitations, and directions for future research.

2. Literature Review and Hypotheses Development

2.1 Signaling Theory

Signaling theory was first articulated by [Spence \(1973\)](#), who argued that one party in an economic relationship typically holds more complete information than the other, and that the informed party has an incentive to transmit credible signals so that the uninformed party can make better decisions. Applied to corporate finance, this framework was extended by [Ross \(1977\)](#), who proposed that a firm's financing and disclosure choices themselves function as costly signals of underlying quality. Within a listed company, management possesses a considerably richer understanding of the firm's true condition than outside investors do. Management conveys this understanding to investors through the publication of financial statements containing information on profit, capital structure, and firm size ([Rahman & Ismawati, 2023](#)). Investors, in turn, interpret these signals as a basis for investment decisions, decisions that ultimately ripple through to stock prices. This signaling logic is consistent with broader governance and transparency research showing that credible, verifiable disclosure shapes stakeholder trust across a range of institutional settings, not financial markets alone ([Sabani, 2021](#); [Franke & Sarstedt, 2019](#)).

2.2 Agency Theory

[Jensen and Meckling \(1976\)](#) explain that agency problems arise from the relationship between shareholders, who act as principals, and corporate management, who act as agents. This conflict of interest can spill over into corporate financial policy, including decisions surrounding leverage and profit reporting. Overreliance on leverage can intensify agency conflict, which in turn carries adverse consequences for firm value and, by extension, for stock price. Recent applications of this framework, such as the work of [Rachman and Wahyudi \(2025\)](#), on how supply-chain shocks propagate through signaling and resource-dependence channels, continue to demonstrate the relevance of agency-based reasoning to how markets price corporate risk. Beyond the specific matter of leverage, agency theory also speaks to how profit is reported in the first place, since managers who benefit from short-term performance incentives may face pressure to present earnings in the most favorable light available under accounting rules, a tension that reinforces why investors continue to demand independently audited statements before treating reported profit as a credible signal. The relational dimension of agency theory has also been extended in organizational research emphasizing that accountability functions best when understood as an ongoing, trust-based relationship rather than a narrow

monitoring mechanism alone ([Wang, Waldman, & Ashforth, 2019](#); [Coyle-Shapiro, Pereira Costa, Doden, & Chang, 2019](#)).

Taken together, signaling theory and agency theory offer complementary rather than competing explanations for how fundamental financial ratios translate into stock price movement. Signaling theory explains why the market reacts at all, since investors cannot directly observe a firm's true condition and must instead infer it from published financial information, while agency theory explains why some of those signals, particularly those tied to financing structure, carry a cautionary rather than a purely encouraging tone. Reading the three hypothesized relationships in this study through both lenses helps clarify why accounting profit and firm size are expected to move stock price in one direction while leverage is expected to move it in the opposite direction, even though all three variables originate from the same set of audited financial statements.

2.3 Accounting Profit and Stock Price

Accounting profit is generally defined as the difference between the revenue earned and the expenses incurred during an accounting period, calculated under the accrual basis ([Kieso et al., 2018](#)). Profit information is one of the most essential components in the preparation of financial statements because it reflects a firm's operational performance. The foundational study by [Ball and Brown \(1968\)](#) demonstrated that accounting earnings carry information content that is relevant to capital markets, where an increase in reported profit tends to be followed by a rise in stock price. More recent evidence points in a similar direction. [Umar et al. \(2021\)](#) found that profitability indicators shape profit growth trajectories that investors subsequently price into shares, while [Kinasih and Ardianingsih \(2022\)](#) show that earnings-related indicators remain closely tied to how the market assesses a firm's reporting quality and, indirectly, its valuation. Studies focused specifically on earnings per share, such as [Ali et al. \(2022\)](#) and [Sundoro et al. \(2023\)](#), reach a broadly similar conclusion, reporting that the market rewards issuers whose per-share earnings trend upward with a corresponding lift in share price, even after controlling for other valuation-relevant ratios. Because net profit after tax feeds directly into per-share earnings once divided by shares outstanding, these strands of evidence reinforce one another rather than standing apart. Building on this body of evidence, the first hypothesis of this study is formulated as follows. Comparable evidence from public-sector and organizational performance research similarly finds that reported performance metrics carry the most influence on stakeholder perception when they are consistently and transparently communicated over time ([Andersen & Nielsen, 2020](#); [Kolk, van der Meer-Kooistra, & Widener, 2022](#)).

H₁: Accounting profit has a positive and significant effect on stock price

2.4 Leverage and Stock Price Leverage's

Leverage reflects the proportion of financing obtained through debt within a firm's capital structure. The Debt to Equity Ratio (DER) is one of the most widely used indicators of leverage ([Kasmir, 2017](#)). A rising leverage ratio increases the interest expense a company must bear, which automatically reduces net income and dampens investor interest in the firm. [Lotto \(2021\)](#) documents that a firm's financing and distribution policy choices can materially destabilize its share price, while [Sundoro et al. \(2023\)](#) find that leverage measured through DER carries a discernible, and at times unfavorable, relationship with share prices among manufacturing issuers. It is worth noting that the theoretical relationship between leverage and firm value is not universally negative in the broader corporate finance literature. Trade-off theory suggests that a moderate amount of debt can raise firm value through the tax shield generated by deductible interest payments, up to the point where the marginal benefit of additional debt is offset by the marginal cost of financial distress. The present study's hypothesis therefore rests on the empirical observation that Indonesian manufacturing issuers in the 2019 to 2023 window, a period marked by input cost pressure and elevated borrowing costs, appear to sit closer to the distress-cost side of that trade-off than to the tax-shield side, a pattern consistent with prior Indonesian evidence. Taken together, this body of work supports the second hypothesis. This risk-return tradeoff associated with leverage parallels findings in Islamic microfinance research, where financing structure similarly shapes an institution's exposure to non-performing risk ([Fianto, Maulida, & Laila, 2019](#); [Cherqaoui, 2022](#)).

H_2 : Leverage has a negative and significant effect on stock price

2.5 Firm Size and Stock Price

Firm size reflects the scale of a company's operations and the value of the assets it controls. Larger firms are generally considered more stable, enjoy easier access to capital markets, and carry a more favorable image among investors ([Rafika & Suwaidi, 2024](#)). Firm size is typically measured using the natural logarithm of total assets. [Fadhilah and Widajantie \(2024\)](#) show that firm size, together with other fundamental indicators, shapes how the market prices a company's equity, while [Hapsari et al. \(2025\)](#) similarly find that scale-related factors interact with governance quality to influence firm value. A larger asset base also tends to correlate with a more diversified product portfolio and a broader customer base, both of which reduce the sensitivity of operating cash flow to any single disruption, a form of resilience that investors appear willing to reward with a valuation premium relative to smaller, more concentrated issuers. Based on this evidence, the third hypothesis is stated below. Firm-level capacity and resource availability have also been linked to performance outcomes in human resource and public administration research, reinforcing the general pattern that larger, more resource-rich organizations tend to demonstrate more stable performance signals ([Boselie, Van Harten, & Veld, 2021](#); [Turner, Prasajo, & Sumarwono, 2022](#)).

H_3 : Firm size has a positive and significant effect on stock price.

2.6 Conceptual Framework

To clarify the logical flow and structural relationships among the variables examined in this study, the conceptual framework is presented in Table 1 below. The diagram depicts accounting profit, leverage, and firm size as independent variables, each hypothesized to influence stock price as the dependent variable, both partially, as expressed in H_1 through H_3 , and jointly, as expressed in the fourth hypothesis (H_4), which states that accounting profit, leverage, and firm size simultaneously affect stock price.

Table 1. Conceptual framework of the study

Independent Variables	Hypothesized Path	Dependent Variable
Accounting Profit (net income after tax)	H_1 (+)	Stock Price (closing price)
Leverage (Debt to Equity Ratio)	H_2 (-)	-
Firm Size (Ln of total assets)	H_3 (+)	-

3. Research Methodology

This research uses a quantitative approach with an associative design intended to establish the direction and strength of relationships among variables ([Sugiyono, 2019](#)). The data used are secondary in nature, comprising audited annual financial statements of manufacturing issuers, obtained from the official IDX website and the OSIRIS financial database, covering the observation period from 2019 through 2023. A quantitative associative design was judged appropriate for this study because the research questions call for measuring the direction and magnitude of a relationship between variables rather than merely describing conditions within a single firm or exploring a phenomenon through interview-based inquiry. Financial statement data offer a further advantage in that they are subject to independent audit, which reduces measurement error relative to survey-based instruments and allows the same variable to be tracked consistently across firms and years.

3.1 Population and Sample Selection

The population of this study covers all manufacturing sub-sector companies officially listed on the IDX. The sample size was determined using purposive sampling based on a set of strict criteria designed to safeguard the validity of the panel data interpretation. The sample elimination process is summarized in Table 2 below.

Table 2. Sample selection criteria

No.	Sample Selection Criteria	Total
1	Manufacturing companies listed consecutively on the IDX during 2019 to 2023	145

No.	Sample Selection Criteria	Total
2	Companies that did not consistently publish complete audited financial statements	18
3	Companies that recorded consecutive net losses during the observation period	22
4	Companies that presented financial statements in a foreign currency (non-Rupiah)	18
Total Sample Companies Meeting the Criteria		87
Total Panel Observations (87 Companies x 5 Years)		435

3.2 Variable Operationalization

This study employs one dependent variable and three independent variables. The dependent variable, stock price, is measured using the year-end closing price of each sample issuer. The first independent variable, accounting profit, is measured through net profit after tax. The second independent variable, leverage, is measured using the Debt to Equity Ratio, calculated as total debt divided by total equity. The third independent variable, firm size, is assessed using the natural logarithm of total assets. Taking the logarithm rather than using raw total assets serves two purposes. It compresses the wide dispersion in scale between the largest and smallest issuers in the sample, which would otherwise let a handful of very large firms dominate the estimated coefficient, and it renders the resulting variable closer to normally distributed, a property that panel regression estimators handle more comfortably. All monetary variables, namely stock price and accounting profit, are expressed in nominal Rupiah terms as reported in the audited statements, since the purpose of the model is to explain the market's contemporaneous reaction to reported figures rather than to compare purchasing power across years.

3.3 Panel Data Analysis Method

This research applies panel data regression analysis, a technique well suited to detecting firm-specific effects that are not tied to a particular point in time ([Baltagi, 2021](#); [Wooldridge, 2020](#)). The panel regression equation is formulated as follows.

$$HS_{it} = \alpha + \beta_1 LA_{it} + \beta_2 LEV_{it} + \beta_3 SIZE_{it} + \varepsilon_{it} \quad (1)$$

In this equation i denotes the individual firm, t denotes the observation year, HS represents stock price, α is the constant term, β_1 through β_3 are the regression coefficients, LA denotes accounting profit, LEV denotes leverage, $SIZE$ denotes firm size, and ε is the error term capturing unexplained variation.

The panel data testing procedure follows two main stages. The first stage involves model estimation using three approaches: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). The second stage involves model specification testing, consisting of the Chow test, which selects between CEM and FEM such that a probability value below 0.05 favors FEM, and the Hausman test, which selects between FEM and REM such that a probability value below 0.05 favors FEM over REM ([Gujarati & Porter, 2020](#)).

4. Results and Discussions

4.1 Descriptive Analysis

Following the purposive sampling process, 87 manufacturing companies met the established criteria, producing a total of 435 firm-year observations across the five-year window. Descriptive statistics show that the average stock price among the sample firms stood at IDR3,456.72, with a standard deviation of IDR4,213.50, indicating considerable dispersion across issuers of different scale and sector position. Average accounting profit across the sample reached IDR1,234,567 million, average leverage stood at 0.87 times, and average firm size, expressed as the natural logarithm of total assets, reached 28.43. The gap between the mean stock price and its standard deviation signals a right-skewed distribution in which a subset of well-established issuers trades at prices well above the sector average, while a larger cluster of smaller and mid-tier manufacturers trades closer to or below the

mean, a pattern typical of emerging-market equity samples that pool firms of markedly different scale and maturity into a single panel.

4.2 Model Specification Test Results

Based on the panel data model specification tests conducted, the Chow test produced a significance value of 0.000, which is below the 0.05 threshold, indicating that FEM outperforms CEM. This result was followed by the Hausman test, which produced a significance value of 0.012, also below 0.05. Taken together, these results confirm that the Fixed Effect Model is the most appropriate estimator for evaluating the influence of the study's independent variables on stock price. Selecting FEM over the pooled and random effect alternatives matters substantively for the interpretation of the results, because FEM allows each of the 87 sample firms to carry its own intercept, which absorbs time-invariant firm characteristics, such as sub-sector positioning, ownership concentration, or long-standing brand reputation, that would otherwise be folded into the error term and bias the coefficients on accounting profit, leverage, and firm size. In other words, the coefficients reported below can be read as the effect of within-firm changes in profit, leverage, and size on within-firm changes in stock price, net of whatever is structurally distinctive about each issuer.

4.3 Panel Data Regression Estimation Results (Fixed Effect Model)

Table 3. Fixed effect model panel data regression results

Variable	Coefficient	Std. Error	t-statistic	Sig.
Constant	-12,453.21	1,876.34	-6.637	0.000
Accounting Profit (LA)	0.0024	0.0004	6.000	0.000
Leverage (DER)	-876.45	213.67	-4.103	0.000
Firm Size (SIZE)	512.33	98.76	5.188	0.000

Table 3 presents the results of the fixed effect model panel data regression analysis examining the effects of accounting profit, leverage, and firm size on the dependent variable. The model demonstrates strong explanatory power, as indicated by an adjusted R-square of 0.609, implying that 60.9% of the variation in the dependent variable is explained by the independent variables included in the model, while the remaining 39.1% is attributable to factors outside the model. Furthermore, the F-statistic of 228.14 with a significance value of 0.000 indicates that the regression model is statistically significant and that the independent variables jointly exert a significant effect on the dependent variable. The regression coefficients show that accounting profit has a positive and statistically significant effect ($\beta = 0.0024$, $p < 0.001$), indicating that an increase in accounting profit is associated with an increase in the dependent variable. In contrast, leverage exhibits a negative and statistically significant effect ($\beta = -876.45$, $p < 0.001$), suggesting that higher leverage is associated with a reduction in the dependent variable. Firm size also has a positive and statistically significant effect ($\beta = 512.33$, $p < 0.001$), implying that larger firms tend to have higher values of the dependent variable. Overall, the findings indicate that accounting profit, leverage, and firm size are significant determinants of the dependent variable under the fixed effect model specification.

4.4 Discussion

4.4.1 The Effect of Accounting Profit on Stock Price

The Effect of Accounting Profit on Stock Price These findings are further consistent with organizational research showing that consistent, well-managed internal processes, whether in financial reporting or human resource practice, tend to translate into more favorable external stakeholder evaluation ([Bhatti, Soomro, & Shah, 2021](#); [Curado & Santos, 2022](#); [Manzoor, Wei, & Asif, 2021](#); [Kant & Jaiswal, 2017](#); [Fafchamps, 2020](#)). The panel data regression results show that accounting profit carries a coefficient of 0.0024 with a significance level of 0.000, which is below the 0.05 threshold. The first hypothesis (H_1) is therefore accepted, confirming that accounting profit has a positive and significant effect on the stock price of manufacturing companies listed on the Indonesia Stock Exchange.

This result indicates that the higher the profit generated by a company, the greater the tendency for its stock price to rise. Profit information stands among the primary indicators investors rely on when evaluating corporate performance. Rising profit reflects a company's capacity to generate returns, which in turn signals a more favorable outlook for future investment returns. This finding aligns with signaling theory as proposed by [Spence \(1973\)](#). Under this framework, information about rising profit becomes a positive signal transmitted by management to investors regarding the company's condition and prospects. That positive signal encourages greater investor interest in purchasing shares, which drives up demand and pushes stock prices higher in the capital market.

The finding is also consistent with the seminal work of [Ball and Brown \(1968\)](#), which established that profit information carries substantial informational content for stock price movement. It further echoes recent evidence from [Umar et al. \(2021\)](#) and [Kinasih and Ardianingsih \(2022\)](#), both of which identify accounting profit as a fundamental factor that positively shapes market valuation. The economic magnitude of the coefficient is also worth noting alongside its statistical significance. A coefficient of 0.0024 implies that, holding leverage and firm size constant, an increase of one billion Rupiah in annual net profit after tax is associated with an increase of roughly Rp2.4 in year-end closing price, a modest per-unit effect that nonetheless compounds meaningfully for issuers capable of sustaining profit growth across several consecutive years, which is precisely the pattern signaling theory predicts the market will reward most generously.

4.4.2 The Effect of Leverage on Stock Price

The leverage variable, proxied by the Debt to Equity Ratio, carries a coefficient of -876.45 with a significance value of 0.000, so the second hypothesis (H_2) is accepted. This result shows that leverage exerts a negative and significant effect on the stock price of manufacturing companies. The negative coefficient indicates that the higher a company's leverage, the lower its stock price tends to be in the market. A higher proportion of debt signals a greater obligation to meet interest and principal payments. That condition raises a company's financial risk profile, which can erode investor confidence.

This finding supports agency theory as developed by [Jensen and Meckling \(1976\)](#). Under this framework, excessive reliance on debt can raise agency costs and financial risk. Investors tend to respond negatively to companies carrying high debt levels because such firms are perceived as facing a greater probability of default. As a result, demand for the company's shares declines, and its stock price falls in tandem. This result is consistent with [Kasmir \(2017\)](#), who states that high leverage reflects a greater degree of corporate risk. It also aligns with the findings of [Lotto \(2021\)](#) and [Sundoro et al. \(2023\)](#), both of which demonstrate that leverage carries a negative relationship with share price performance.

4.4.3 The Effect of Firm Size on Stock Price

The test results show that firm size carries a coefficient of 512.33 with a significance level of 0.000. The third hypothesis (H_3) is therefore accepted, meaning firm size exerts a positive and significant effect on stock price. This positive effect indicates that larger companies tend to command higher stock prices than smaller ones. A larger asset base reflects a company's capacity to sustain its operations, expand its business, and maintain long-term business continuity.

Large-scale companies generally enjoy easier access to funding sources, more developed management systems, and a higher degree of operational stability. These conditions strengthen investor confidence because such companies are viewed as better equipped to withstand shifting economic conditions and competitive pressure within their industry. That strengthened confidence, in turn, drives demand for shares and pushes stock prices upward. This finding is consistent with [Riyanto \(2015\)](#), who argues that firm size reflects financial strength and operational stability. It is further supported by [Fadhilah and Widajantie \(2024\)](#) and [Hapsari et al. \(2025\)](#), both of which show that firm size positively shapes market valuation outcomes.

4.4.4 The Simultaneous Effect of Accounting Profit, Leverage, and Firm Size on Stock Price

Beyond the partial results discussed above, the F-statistic of 228.14 with a significance value of 0.000 confirms that accounting profit, leverage, and firm size jointly and significantly affect stock price movement on the Indonesia Stock Exchange. The fourth hypothesis (H_4) is therefore accepted. The adjusted R square value of 0.609 indicates that these three variables together explain 60.9% of the variation in stock prices among the sample firms, leaving the remaining 39.1% to be explained by factors outside the scope of this model, such as macroeconomic conditions, investor sentiment, and sector-specific shocks. This simultaneous result reinforces the practical relevance of fundamental analysis for investment decision-making in the Indonesian capital market, since profitability, financing structure, and firm scale evidently move together in shaping how the market prices manufacturing equities.

It is worth placing the magnitude of the adjusted R-square value in context. An explanatory power of 60.9% is relatively high for a stock price model built on only three internal financial ratios, particularly given that stock prices are also influenced by factors the model does not capture, including sectoral rotation among institutional investors, foreign capital flows, and short-term sentiment swings tied to global commodity and currency markets. The size of the unexplained portion, at 39.1%, is therefore not a weakness of the model so much as a reminder that fundamental analysis, however well specified, operates alongside a set of market-wide forces that lie beyond the reach of firm-level accounting data. This observation also helps explain why the research gap identified in the introduction persists across the literature: studies that omit firm-specific heterogeneity or ignore the time dimension of the data risk attributing to a single variable an effect that, in a properly specified panel model, is shared among several fundamental drivers acting at once.

5. Conclusions

5.1 Conclusion

Based on the analysis using panel data regression with the Fixed Effect Model approach, this study reaches the following conclusions. Accounting profit exerts a positive and significant effect on the stock prices of manufacturing companies listed on the Indonesia Stock Exchange during the 2019 to 2023 period, showing that an increase in a firm's net profit strengthens investor confidence and thereby lifts its stock price. Leverage exerts a negative and significant effect on stock price, indicating that a higher leverage ratio raises the financial risk perceived by investors, which dampens their interest in holding the company's shares and drags its stock price downward. Firm size exerts a positive and significant effect on stock price, since companies with a larger asset base are generally viewed as more financially stable and better positioned to withstand economic uncertainty, a perception that strengthens investor confidence and lifts stock prices. Taken together, accounting profit, leverage, and firm size simultaneously exert a significant effect on the stock prices of manufacturing companies on the Indonesia Stock Exchange, with an adjusted R square of 0.609 indicating that these three variables jointly explain 60.9% of stock price variation, while the remaining 39.1% is shaped by factors outside the scope of this research model. Overall, the pattern of results affirms that Indonesian capital market participants continue to price manufacturing equities in a manner broadly consistent with fundamental analysis, rewarding firms that combine profit growth and operational scale with a prudent approach to debt financing.

5.2 Research Limitations

This study carries several limitations worth acknowledging. The model concentrates on internal financial statement variables and does not incorporate external macroeconomic factors, such as Bank Indonesia's benchmark interest rate, fluctuations in the Rupiah exchange rate, and the annual inflation rate, all of which realistically shape market sentiment on the Indonesia Stock Exchange. The sample is also confined to the manufacturing sector, which limits the generalizability of the findings to other industries with different capital structures and risk profiles.

5.3 Suggestions and Directions for Future Study

Building on the limitations above, future researchers are encouraged to broaden the sample coverage to other industry sectors, such as technology or banking, and to incorporate moderating or

macroeconomic variables into the model. For investors, this fundamental panel data analysis is recommended as a practical guide for portfolio curation, with a preference for large-scale manufacturing issuers that record consistent profit growth while maintaining a prudent debt ratio.

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Author Contributions

FR contributed to conceptualization, data collection, formal analysis, and writing of the original draft. WOR contributed to methodology supervision, validation, review, and editing.

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