

Analysis Of The Application Of Return On Equity (ROE), Price Earning Ratio (PER), And Price To Book Value (PBV) In Stock Investment Decision Making In The Banking Sector On The Idx During The 2019-2023 Period

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Abstract

This study examines the influence of business cycles and macroeconomic conditions on the financial performance of banking companies in Indonesia, with particular attention to how financial ratios such as Return on Equity (ROE), Price-to-Earnings Ratio (PER), and Price-to-Book Value (PBV) inform investment decision-making. Covering the period from 2019 to 2023, this research addresses capital market dynamics shaped by shifts in domestic economic policy, global macroeconomic volatility, and the effects of the COVID-19 pandemic. The findings reveal that economic uncertainty and fluctuating business cycles contribute to increased market volatility, which in turn impacts the valuation of banking sector stocks. Moreover, while a high PER may indicate investor optimism regarding future earnings, it also poses the risk of overvaluation. These insights underscore the importance of a comprehensive understanding of financial ratios in making prudent investment decisions under conditions of market instability. This study contributes to the literature by offering practical implications for investors and policymakers navigating Indonesia's evolving financial landscape.

Keywords: Business Cycles, Economic Conditions, Financial Ratios, Banking Sector, Investment Decisions



INTRODUCTION

Capital and stock markets play a critical role in supporting the banking sector (Nasib et al., 2024). Their functions encompass providing sources of funding, enabling risk diversification, enhancing corporate transparency and valuation, and serving as indicators of overall economic conditions (Nasib et al., 2023). Moreover, these markets assist banks in asset management, maintaining liquidity, and fostering financial innovation (Khairani, 2023). Capital and stock markets offer essential mechanisms for banks to manage capital, access financing, engage in investment activities, and evaluate firm value, ultimately contributing to the stability and growth of the financial sector (Rivai et al., 2024). The capital market serves as a platform for trading various long-term financial instruments, including bonds, stocks, mutual funds, derivatives, and others (Prastya, 2023).

The capital market serves as an investment platform that offers the potential for substantial returns, both through capital gains and dividends (Hirzi, 2023). However, high returns are generally accompanied by higher levels of risk (Fadlilah et al., 2023). Consequently, investors are required to conduct thorough and careful analysis to minimize potential losses and ensure that investment decisions are based on accurate stock valuation estimates (B. B. Ginting et al., 2023). In many cases, discrepancies exist between a stock's intrinsic value and its market price, leading to situations where a stock may be considered overvalued or undervalued, depending on the gap between the estimated value and its actual trading price (Hou, 2023).

The banking sector is an integral component of the Indonesia Stock Exchange (IDX) and plays a strategic role in supporting national economic stability and growth (Khan & Rashid, 2025). Banks function as financial intermediaries, providing essential services to individuals, businesses, and government institutions (Nathasa et al., 2024). Beyond mobilizing and distributing funds, the sector facilitates smooth economic activity through the provision of relevant financial instruments (Oktavia, 2023). As one of the main pillars of the capital market, the performance and stability of the banking sector are critical to the fundamental strength of the national economy (Munandar et al., 2024). Furthermore, this sector promotes the development of micro, small, and medium enterprises (MSMEs), strengthens the investment climate, and generates broader employment opportunities (Khoirunisa & Karnasi, 2022). Thus, the banking sector contributes directly to improving public welfare through its comprehensive economic functions (Sabri, 2023).

During the 2019–2023 period, Indonesia's banking sector underwent significant transformations driven by the COVID-19 pandemic, economic recovery efforts,

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accelerated digitalization, and regulatory adjustments. These developments have impacted banks' financial performance and influenced market perceptions of banking stock valuations on the Indonesia Stock Exchange (IDX). Currently, approximately 47 banking issuers are listed on the IDX, reflecting a high level of investor confidence and the sector's critical role in maintaining economic stability and supporting national growth. This strategic importance positions the banking sector as a key indicator of capital market dynamics in Indonesia.

Financial indicators such as Return on Equity (ROE), Price to Earnings Ratio (PER), and Price to Book Value (PBV) serve as key analytical tools for investors in assessing the prospects and risk levels of stock investments in the banking sector. ROE reflects how efficiently a company generates profits from its shareholders' equity. PER represents the market's expectations regarding the company's future earnings growth. Meanwhile, PBV provides insight into whether a stock is being traded above or below its book value, which can indicate whether the stock is overvalued or undervalued.

Return on Equity (ROE) is a financial ratio that measures a company's ability to generate profit from shareholders' equity, expressed as a percentage (Hs & Hou, 2023). A high ROE indicates a firm's efficiency in utilizing equity to create earnings and adds value for investors (Nazah et al., 2024). Ideally, an ROE above the industry average reflects the company's competitiveness in optimizing capital use (Sakuntala et al., 2024). However, in the context of the Indonesian capital market, the effectiveness of ROE as a stock valuation indicator remains debated (Levianti, 2023). Research by [10] reveals that ROE does not significantly influence Price to Book Value (PBV) among banking sector issuers listed on the Indonesia Stock Exchange (IDX), suggesting that profit efficiency is not fully reflected in market valuation (Nirmalasari & Hou, 2023). These findings highlight the need for further research on the relevance of ROE in investment decision-making, particularly in the banking sector, which possesses unique financial characteristics.

The Price-to-Earnings Ratio (PER) serves as an indicator reflecting market expectations regarding a company's future earnings growth (Heliani et al., 2022). A high PER typically signifies investor confidence in the firm's strong growth prospects, whereas a low PER may suggest an undervalued stock or uncertain future performance (Mao, 2023). Although PER is widely employed as a valuation tool in equity investment analysis, its effectiveness within the Indonesian banking sector has demonstrated inconsistent results (Bustani, 2024). Several empirical studies suggest that PER does not consistently represent the true value or growth potential of banking issuers, primarily due to the sector's unique income structure and risk characteristics (Saputra, 2022).

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A study conducted by (Rajindra, 2021) found that the Price-to-Earnings Ratio (PER) had no significant impact on the stock market performance of banking companies listed on the Indonesia Stock Exchange. This finding suggests that investors may prioritize other valuation metrics such as Return on Equity (ROE) or Price-to-Book Value (PBV) when assessing the value of banking stocks. In contrast, research by (Satria et al., 2024) revealed that PER had a significant influence on the stock price of PT Bank Central Asia Tbk during the 2012–2022 period. These contrasting findings indicate that, under certain conditions, PER remains a relevant indicator in investment decision-making. The divergence in empirical results highlights the need for further investigation into the role of PER within Indonesia's banking sector. Factors such as macroeconomic conditions, regulatory frameworks, and firm-specific characteristics may affect the extent to which PER functions as an effective valuation tool.

The Price-to-Book Value (PBV) ratio compares a firm's market value to its book value and is widely used to assess financial performance (Zaenal et al., 2025). This ratio reflects the extent to which a company can generate value relative to the capital invested, and it indicates the market's perception of the firm's growth potential and the efficiency of its asset management practices (Jurnal & Wardana, 2024). PBV is also frequently employed as a benchmark to evaluate whether a stock is undervalued or overvalued (Munandar et al., 2024). In the context of the Indonesian stock market, a study by (E. R. B. Ginting & Sussanto, 2024) found that PBV had a significant positive effect on the share prices of banks listed in the LQ45 index during the 2019–2023 period, while PER showed no significant influence. These findings suggest that investors place greater emphasis on a firm's book value as a foundation for investment decisions, rather than solely relying on future earnings expectations. This reinforces the importance of PBV as a more accurate indicator of intrinsic firm value, particularly within the banking sector.

RESEARCH METHODOLOGY

This research utilizes a quantitative methodology. The utilized data comprises secondary quantitative data, specifically financial reports issued by companies listed on the Indonesia Stock Exchange (IDX). The data were acquired by secondary data collection methods and documentation analysis. The study employs a descriptive quantitative methodology and is inherently explanatory. The research population includes all banking sector companies listed on the IDX from 2019 to 2023, with data obtained from the official IDX website (www.idx.co.id). The employed sampling methodology is



purposive sampling, a method that entails selecting samples based on particular criteria. The subsequent criteria were utilized for sample selection:

1. Companies in the banking sector listed on the Indonesia Stock Exchange (IDX).
2. Banking institutions incorporated in the LQ45 index from 2019 to 2023.
3. Banking institutions classified as Book IV banks from 2019 to 2023.
4. Banking institutions that regularly disseminated their financial statements from 2019 to 2023.
5. Banking institutions that continuously delivered dividends from 2019 to 2023.
6. Banking institutions possessing complete and comprehensive financial data necessary for the research within the 2019–2023 period.

Based on these criteria, the researcher selected six banking companies that met all the requirements to serve as the research sample. Consequently, with a five-year observation period, the total number of observations amounted to 6 companies $\times$ 5 years = 30 data points.

Table 1. Research Sample

Kode Bank	Nama Bank
BBCA	Bank Central Asia Tbk.
BMRI	Bank Mandiri (Persero) Tbk.
BBNI	Bank Negara Indonesia (Persero) Tbk.
BBRI	Bank Rakyat Indonesia (Persero) Tbk.
BNGA	Bank CIMB Niaga Tbk
BDMN	Bank Danamon Indonesia Tbk

Source: www.idx.co.id

This study employed secondary data as the principal data source. From 2019 to 2023, the researcher gathered annual financial statements from the official websites of each chosen bank and the Indonesia Stock Exchange (IDX). Stock price data were acquired from daily or monthly public reports. The chosen data collection technique was documentary analysis. The researcher collected data on essential financial measures, such as Return on Equity (ROE), Price-to-Earnings Ratio (PER), and Price-to-Book Value (PBV), as documented in annual reports and market data. The data were examined using standard assumption tests (normality, multicollinearity, autocorrelation, and heteroscedasticity) then analyzed via multiple linear regression with SPSS software.



Hypothesis testing was performed utilizing t-tests and F-tests to assess the partial and simultaneous impacts of the independent factors on the dependent variable.

RESEARCH RESULTS

Descriptive Statistical Test

Table 2. Results of Descriptive Statistical Tests

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	30	140	380	234.30	69.523
PER	30	577	3508	1633.50	729.997
PBV	30	110	550	226.67	129.783
Keputusan	30	813	32666	8790.23	7978.745
Valid N (listwise)	30				

Source: SPSS 2026 Output Results (Processed Data)

The descriptive statistics presented in the table suggest that the minimum value of Return on Equity (ROE) (X1) is 140, while the maximum value is 380. The average value is 234.30, and the standard deviation is 69.523. The Price-to-Earnings Ratio (PER) (X2) has a minimum value of 577, a maximum of 3,508, a mean of 1,633.50, and a standard deviation of 729.997. The Price-to-Book Value (PBV) (X3) ranges from a minimum of 110 to a maximum of 550, with a mean of 226.67 and a standard deviation of 129.783. The Investment Decision in Stock Trading (Y) has a minimum value of 813, a maximum of 32,666, a mean of 8,790.23, and a standard deviation of 7,978.745.

Classical Assumption Test

Normality Test

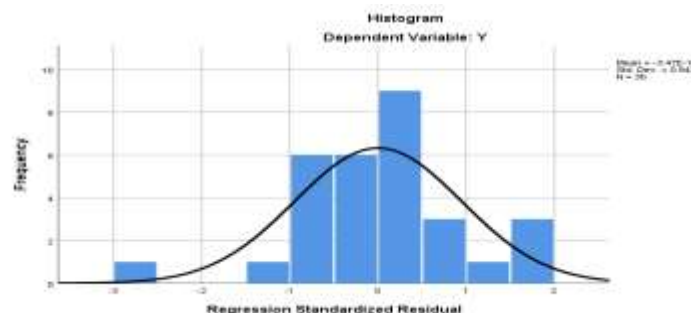


Figure 1. Normality Test Results

The histogram depicts the distribution of standardized residuals in the regression analysis. The residuals exhibit relative symmetry and conform to a normal distribution pattern, as evidenced by the superimposed normal curve (black line). Consequently, the residuals may be regarded as regularly distributed, and the data are considered valid for subsequent regression analysis.

Multicollinearity Test

Table 3. Multicollinearity Test Results								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	272.426	3386.104		.080	.937		
	ROE	55.871	23.346	.950	2.393	.025	.215	4.660
	PER	-.702	1.122	-.127	-.626	.538	.821	1.218
	PBV	-25.644	14.816	-.712	-1.731	.097	.200	4.996

The tolerance values for the ROE variable is 0.215, for PER is 0.821, and for PBV is 0.200, all exceeding 0.10. The Variance Inflation Factor (VIF) readings are within acceptable thresholds: ROE has a VIF of 4.660, PER is 1.218, and PBV is 4.996, all less than 10. The results demonstrate the absence of multicollinearity among the independent variables, with each variable exhibiting low intercorrelation.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.738 ^a	.545	.469	5127.52995	2.133

The Durbin-Watson (DW) statistic, as indicated in the table above, is 2.133. According to the Durbin-Watson table, with K = 3 independent variables and N = 30 observations, the lower bound (dL) is 1.2138 and the upper bound (dU) is 1.6498. The expression 4 - dU equals 2.3501. As the DW value (2.133) lies between dU and 4 - dU (1.6498 < 2.133 < 2.3501), it can be inferred that the regression model is free from autocorrelation.



Heteroscedasticity Test**Table 5. Heteroscedasticity Test Results**

			Unstandardized Residual
Spearman's rho	ROE	Correlation Coefficient	.141
		Sig. (2-tailed)	.457
		N	30
	PER	Correlation Coefficient	-.060
		Sig. (2-tailed)	.752
		N	30
	PBV	Correlation Coefficient	.136
		Sig. (2-tailed)	.474
		N	30
	Unstandardized Residual	Correlation Coefficient	1.000
		Sig. (2-tailed)	.
		N	30
**. Correlation is significant at the 0.01 level (2-tailed).			

The Spearman's Rho test table indicates the following significance values (2-tailed): 0.457 for ROE, 0.752 for PER, and 0.474 for PBV. As all significant values above 0.05, it may be inferred that there is no evidence of heteroscedasticity in the data. The results indicate that the model is free from heteroscedasticity, as the residuals exhibit homoscedasticity across all independent variables.

Multiple Linear Regression Analysis Test**Table 6. Multiple Linear Regression Test Results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5165.916	5663.557		.912	.370
	ROE	1.307	38.043	.011	.034	.973
	PER	-3.664	1.592	-.335	-2.301	.030
	PBV	41.043	20.448	.668	2.007	.055



Based on the results of the multiple linear regression analysis, the regression model generated is statistically interpretable through its coefficients. The constant value (a) is 5165.916, which implies that if all independent variables Return on Equity (ROE), Price-to-Earnings Ratio (PER), and Price-to-Book Value (PBV) are equal to zero, the predicted value of investment decision-making would be 5165.916 units. This serves as the baseline level of the dependent variable in the absence of influence from the independent variables.

The regression coefficient for ROE is 1.307, indicating a positive relationship. This means that for every one-unit increase in ROE, the level of investment decision-making increases by 1.307 units, assuming that the values of PER and PBV remain constant. This suggests that investors may view higher ROE as a signal of strong financial performance, which positively influences their decision-making in stock investments.

Conversely, the coefficient for PER is -3.664, which reflects a negative relationship. Under the assumption that other variables are held constant, a one-unit increase in PER is associated with a decrease of 3.664 units in the investment decision variable. This implies that higher PER values may be interpreted by investors as signals of overvaluation or uncertain earnings growth, leading to lower confidence in investment decisions.

Meanwhile, PBV exhibits the largest positive influence among the independent variables, with a regression coefficient of 41.043. This means that a one-unit increase in PBV results in an increase of 41.043 units in the level of investment decision-making, holding ROE and PER constant. The strong positive association suggests that investors place considerable emphasis on the market's valuation of a company relative to its book value, especially in the banking sector.

In summary, the regression model demonstrates that among the three financial ratios analyzed, PBV has the most substantial positive effect on investment decisions, followed by ROE. In contrast, PER negatively affects investor decision-making. These findings highlight the differential impact of financial performance indicators on investors' behavior and support the view that intrinsic value metrics such as PBV may be more influential than market-based expectations in certain contexts, particularly in the Indonesian banking sector.



Coefficient of Determination Test (R²)**Table 7. Results of the Determination Coefficient Test (R²)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.688 ^a	.474	.413	6111.277
a. Predictors: (Constant), PBV, PER, ROE				

The Adjusted R Square value is 0.413, signifying that roughly 41.3% of the variation in the dependent variable is elucidated by the independent variables incorporated in the model. The remaining 58.7% of the variation is ascribed to factors not investigated in this study. This indicates that although the model possesses moderate explanatory power, there are extraneous variables beyond this research's purview that may substantially affect investment decision-making.

F Test**Table 8. F Test Results**

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square		Sig.
1	Regression	875110294.515	3	291703431.505	.810	.001 ^b
	Residual	971040382.852	26	37347707.033		
	Total	1846150677.367	29			

The F-test findings indicate that the calculated F-value ($F_{\text{calculated}}$) is 7.810, exceeding the crucial F-value (F_{table}) of 2.98, with a significance level of 0.001, which is less than 0.05. Consequently, the alternative hypothesis (H_a) is affirmed, whereas the null hypothesis (H_0) is dismissed. This signifies that ROE, PER, and PBV concurrently exert a statistically significant influence on investors' selections when choosing banking sector equities listed on the Indonesia Stock Exchange.



t Test**Table 9 t-Test Results**

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3158.877	661.592		4.775	.000
	X_1	.003	.000	.718	23.886	.000
	PER	-2.494	.336	-.228	-7.424	.000
	PBV	42.817	1.870	.696	22.897	.000

The t-test analysis results offer additional insights into the distinct impact of each independent variable on investment decision-making. The t-table value of 2.05553 at a 0.05 significance level and 26 degrees of freedom indicates statistically significant associations for all three independent variables. Initially, Return on Equity (ROE) has a t-statistic of 23.886 with a significance level of 0.000, significantly below the 0.05 criterion. This outcome suggests a robust and favorable impact of ROE on investment decision-making. It indicates that investors regard companies with elevated returns on equity as more appealing investment opportunities, signifying effective management and robust profitability. Secondly, the Price-to-Earnings Ratio (PER) exhibits a negative t-statistic of -7.424, accompanied by a p-value of 0.000, which is likewise below the 0.05 significant threshold. This indicates that PER exerts a substantial detrimental influence on investing decisions. A high PER may be perceived by investors as a signal of overvaluation or uncertain future earnings, thus reducing their confidence in purchasing such stocks. Finally, the Price-to-Book Value (PBV) variable has a t-statistic of 22.897 and a significance value of 0.000, indicating a substantial positive correlation with investment decisions. This research suggests that investors are inclined to react favorably to equities with elevated PBV values, as these values signify enhanced market assessments of a company's underlying worth and prospective growth potential.

DISCUSSION**The Influence of Return on Equity (ROE) on Stock Investment Decisions**

The hypothesis testing results demonstrate that the Return on Equity (ROE) possesses a t-value of 23.886, above the essential t-table value of 2.05553, with a significance level of 0.000, which is less than 0.05. This affirms that ROE exerts a

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favorable and statistically significant influence on investment decision-making within the banking industry listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. A high ROE indicates a company's proficiency in leveraging its equity to generate profits, so bolstering investor confidence in the firm's financial outlook and augmenting their propensity to invest.

These findings are consistent with previous studies that emphasize Return on Equity (ROE) as a key indicator in assessing corporate profitability and stock attractiveness, particularly within the banking sector (Hs & Hou, 2023)(Eugenio et al., 2023)(Lestari & Nasib, 2021). A high ROE reflects managerial efficiency in utilizing shareholders' equity to generate profit, thereby sending a positive signal to investors regarding the company's financial performance (Nazah et al., 2024). ROE has a significant influence on stock prices because it indicates the firm's ability to create shareholder value (Altahtamouni et al., 2022). Consequently, ROE is widely regarded as one of the most critical financial ratios in fundamental stock analysis (Anindya et al., 2024). Investors tend to favor companies with stable and above-average ROE, as these are perceived to offer better long-term return potential (Wulandari et al., 2021). Therefore, ROE remains a central tool in long-term, value-oriented investment decision-making (Salsabila, 2024).

1) The Influence of Price Earning Ratio (PER) on Stock Investment Decisions

Conversely, the Price-to-Earnings Ratio (PER) has a t-value of -7.424, which is below the essential t-table value of 2.05553, with a significance threshold of $0.000 < 0.05$. This finding demonstrates that PER exerts a negative and statistically significant influence on investment decision-making within the banking industry listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. A high price-to-earnings ratio (PER) is sometimes regarded as an indication that the stock may be overvalued, thereby diminishing its investment attractiveness due to the anticipated risk of future price adjustments.

These findings are consistent with previous research suggesting that an excessively high Price-to-Earnings Ratio (PER) often generates perceptions of heightened risk and uncertainty among investors (Dwinanda & Hendriyani, 2022). Investors tend to avoid stocks with high PER values, as they are frequently associated with unrealistic expectations regarding future earnings growth (Munandar et al., 2024). A high PER may indicate market euphoria rather than strong underlying fundamentals (Jurnal & Wardana, 2024). Consequently, PER is negatively associated with investors' purchase intentions, as it is perceived to misrepresent the company's intrinsic value

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(Nurjanah et al., 2024). Moreover, extreme PER levels can distort investors' assessment of fundamental risk, particularly in volatile market conditions (Lestari, 2019).

The Influence of Price to Book Value (PBV) on Stock Investment Decisions

The hypothesis testing findings demonstrate that the Price-to-Book Value (PBV) variable possesses a t-value of 22.897, exceeding the essential t-table value of 2.05553, with a significance level of 0.000, which is less than 0.05. This affirms that PBV exerts a favorable and statistically significant influence on investment decision-making within the banking industry listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. A favorable PBV, generally around or below 1, is sometimes regarded as an indication that a stock is undervalued, implying possible capital appreciation if the market price aligns with its intrinsic worth. Consequently, PBV functions as a vital metric for investors in discerning lucrative investment prospects.

These findings are consistent with prior studies affirming that Price-to-Book Value (PBV) is an effective fundamental valuation tool for assessing the investment feasibility of stocks, particularly in the banking sector (Aktor et al., 2024). An optimal PBV enables investors to distinguish whether a stock is undervalued or overvalued, thereby providing an objective basis for making investment decisions (Rahmadi et al., 2023). Stocks with low PBV values but strong earnings prospects tend to attract long-term investors (Sasmito Bayu Gentur Praptomo et al., 2024). PBV significantly contributes to shaping investor interest in purchasing banking sector stocks [42]. Furthermore, PBV plays a crucial role in comparing a firm's market value to its book value, helping to identify growth potential that may not yet be reflected in current share prices (Yudha Pratama et al., 2024).

The Influence of ROE, PER, and PBV on Stock Investment Decisions

The multiple linear regression analysis indicates that the independent variables Return on Equity (ROE), Price-to-Earnings Ratio (PER), and Price-to-Book Value (PBV) significantly impact stock investment decisions in the banking sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. Among these factors, ROE is the most influential factor, evidenced by its Standardized Coefficient (Beta) value of 0.718, surpassing that of PBV (0.696) and PER (-0.228). This discovery highlights the significance of profitability, especially ROE, as a crucial factor in shaping investor behavior. A high ROE indicates the firm's managerial efficacy in employing equity to produce earnings, hence enhancing investor trust and influencing investment choices.



These findings are consistent with a number of previous studies that emphasize the critical role of Return on Equity (ROE) in shaping investor preferences (Khofifa & Rahmawati, 2024). ROE significantly influences investors' assessment of stock performance, as it reflects a company's efficiency in generating profits from its own equity (Abdul et al., 2024). It is considered a primary indicator by investors particularly in the financial sector—when evaluating potential returns on investment (Maulana & Fauzan, 2024). Investors are generally more inclined to invest in firms with high ROE levels, as these are often associated with strong growth prospects and profitability (Mei et al., 2024). Moreover, banking institutions with consistently high ROE tend to enjoy more favorable market valuations, reflecting broader market confidence in their long-term financial outlook (Nastiti Rizky Shiyammurti & Tiara Ningsih, 2024).

CONCLUSION

This study concludes that business cycles and macroeconomic fluctuations significantly influence the financial performance and stock valuation of banking companies in Indonesia, particularly during periods of economic uncertainty such as the COVID-19 pandemic. Financial ratios namely ROE, PER, and PBV serve as critical tools for investors to assess investment opportunities. The research highlights that while a high PER may reflect investor optimism, it also signals potential overvaluation risks. Therefore, a nuanced and comprehensive understanding of these financial indicators is essential for making sound investment decisions in volatile market conditions. These findings provide valuable insights for both investors and policymakers in managing investment strategies and financial stability within Indonesia's dynamic capital market.

Future research should conduct cross-sectoral comparisons and incorporate behavioral finance to capture a wider array of influencing factors. Integrating qualitative methods like interviews or surveys could enhance the depth of analysis, offering richer insights into investor behavior. This approach would help contextualize quantitative findings, especially in response to financial indicators during times of economic uncertainty. Exploring different sectors may also reveal unique patterns and risk perceptions, contributing to a more comprehensive understanding of market dynamics. Ultimately, such a multidimensional strategy can inform better policymaking and investment decision-making amid financial volatility and economic shocks.

This study is limited to secondary quantitative data from the banking sector over a five-year period (2019–2023), without incorporating behavioral factors or qualitative investor perspectives that may influence decision-making. Future research should

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expand the scope by including cross-sectoral comparisons and integrating behavioral finance elements to capture a broader range of influencing variables. Additionally, qualitative methods such as interviews or surveys could offer deeper insights into investor responses to financial indicators, particularly during economic shocks. This multidimensional approach would enrich the understanding of market behavior and improve policy and investment strategies.

This study is limited to secondary quantitative data from the banking sector over the 2019–2023 period, excluding behavioral factors and qualitative investor perspectives that may influence decision-making. Future research should broaden the scope through cross-sectoral comparisons and the integration of behavioral finance to capture a wider range of determinants. Incorporating qualitative methods like interviews or surveys could provide deeper insights into investor reactions during economic shocks. Additionally, exploring the role of environmental, social, and governance (ESG) factors alongside traditional financial ratios is essential, given the rising importance of sustainable finance in both global and Indonesian capital markets.

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