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The Influence of Fundamental Factors on Stock Prices of the LQ-45 Index During 2020–2024

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Abstract

This study investigates the effect of Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Earnings Per Share (EPS), and Price to Earnings Ratio (PER) on stock prices of companies included in the LQ-45 Index listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024. The study adopts a quantitative approach by analyzing 45 companies included in the LQ-45 Index, with a sample of 12 firms observed over five years, resulting in 60 observations. The results indicate that ROA and DER do not have a significant effect on stock prices, whereas CR, EPS, and PER have a significant positive effect. Simultaneously, all independent variables significantly influence the stock prices of LQ-45 companies listed on the IDX. The coefficient of determination yields a value of 74.2%, indicating that the independent variables account for 74.2% of the variation in stock prices, while the remaining 25.8% is attributed to other factors not examined in this study. These findings contribute to the literature on the Indonesian capital market and provide insights for investors and policymakers regarding the role of fundamental factors in shaping stock prices amid dynamic economic conditions.

Keywords: Stock Price, Return On Asset (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Earning Per Share (EPS), Price to Earning Ratio (PER).

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INTRODUCTION

Capital markets are a fundamental pillar of the modern economy, functioning as mechanisms for capital allocation, measures of corporate performance, and indicators of investor sentiment toward economic prospects. The capital market plays a strategic role in mobilizing long-term funds, improving the efficiency of capital allocation, and supporting sustainable economic activities (Ekonomi et al., 2025; Manullang et al., 2025). The LQ-45 Index is one of the key stock market indices on the Indonesia Stock Exchange (IDX), representing the performance of stocks with the highest liquidity, market capitalization, and trading frequency. LQ-45 comprises 45 companies that meet specific criteria related to transaction value, capitalization, and market activity, making it a valuable benchmark for financial analysis. From the beginning of the 2020s through 2024, Indonesia's capital market has experienced significant developments. During this period, the Composite Stock Price Index (IHSG) recorded historically high levels, reflecting strong investor optimism toward domestic economic recovery and growth.

The IDX market capitalization also reached record levels, demonstrating robust capital inflows into the stock market; however, this era was also marked by volatility triggered by global and domestic monetary policy changes, including adjustments in the Bank Indonesia benchmark interest rate (BI Rate), which influenced investment preferences and the cost of capital for market participants. Research has shown that shifts in interest rates and broader macroeconomic factors can affect stock market behavior, as changes in monetary policy influence both the cost of capital and investor expectations. Sasongko and Athoillah (2025) found that changes in the BI Rate have a significant impact on movements in the Composite Stock Price Index (IHSG), particularly during periods of economic instability.

From a fundamental analysis perspective, stock prices reflect a firm's intrinsic value, which can be assessed using financial ratios such as Earnings Per Share (EPS), Price to Earnings Ratio (PER), Return on Assets (ROA), Return on Equity (ROE), Debt to Equity Ratio (DER), and Price to Book Value (PBV). These financial ratios are widely used by investors to evaluate a company's profitability, risk exposure, capital structure, and valuation, which in turn influence investment decisions and stock price movements in the capital market (Brigham & Houston, 2019; Graham & Dodd, 2019; Tandelilin, 2017).

Several recent studies have examined the relationship between fundamental factors and stock prices within the LQ-45 index. Zannati and Budiarti (2025) found that, beyond firm-specific variables, the Bank Indonesia policy rate (BI Rate) has a significant effect on stock prices, while Earnings Per Share (EPS), Dividend Per Share (DPS),

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Return on Assets (ROA), and inflation do not show a significant impact in their sample. These findings highlight the importance of incorporating macroeconomic variables in analyzing stock price movements of LQ-45 companies. Another study by (Sa'adatirrohmah & Widodo, 2025) examined the effects of EPS, ROA, and Price to Book Value (PBV) on stock prices and reported that PBV has a positive influence, while EPS is insignificant, and ROA exhibits a negative relationship with stock prices. Furthermore, (Budiman & Marheni, 2025) emphasized that macroeconomic factors such as the BI Rate and gold prices play a significant role in determining stock returns, reinforcing the close linkage between capital market performance and macroeconomic conditions.

Although the literature on fundamental stock factors in the Indonesian capital market has continued to grow, there remains a limitation in studies that simultaneously integrate firm-level fundamental variables with macroeconomic factors such as interest rates, inflation, and exchange rates, particularly for the post-COVID-19 economic recovery period from 2020 to 2024. Such research is highly relevant, as movements in the Composite Stock Price Index (IHSG) and the LQ-45 Index are influenced not only by internal corporate performance but also by broader macroeconomic conditions. Data indicate that the highest level of the Composite Stock Price Index (IHSG) during the 2020–2024 period reached 7,323.588 points, surpassing the previous record of 7,318.016 points recorded on September 13, 2022. In addition, the market capitalization of the Indonesia Stock Exchange (IDX) also reached a new record of IDR 11,768 trillion, exceeding the previous record of IDR 11,762 trillion achieved on December 28, 2023. These developments reflect growing optimism among market participants and stakeholders in the Indonesian capital market at the beginning of 2024 (Indonesia Stock Exchange, 2024). However, increases in interest rates have also contributed to fluctuations in the IHSG, which declined by 2.7% following the announcement of changes in Bank Indonesia's policy rate. One possible explanation for this decline is the deterioration of market sentiment in 2024, as investors responded cautiously to tightening monetary conditions. Furthermore, the average values of fundamental and macroeconomic variables for the 12 LQ-45 companies selected as the research sample during the 2020–2024 period are presented in Table 1.

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Table 1. Time Series Data of the LQ-45 Index (2020–2024)

Keterangan	Tahun				
	2020	2021	2022	2023	2024
ROA	4,47	5.38	6.47	6.10	6.27
CR	1.89	2.07	2.11	2.18	2.26
DER	0.50	0.43	0.42	0.43	0.44
EPS	163.87	213.62	270.93	306.88	311.48
PER	24.70	18.53	14.72	15.59	14.19
Harga Saham	Rp3.285,50	Rp3.035,07	Rp3.277,07	Rp3.600,64	Rp3.112,71

Based on table 1, overall, the fundamental performance of LQ-45 companies during the 2020–2024 period shows a positive trend, although stock price movements do not consistently follow these improvements. Profitability, as reflected by ROA and EPS, increased during the post-pandemic recovery period, indicating enhanced efficiency and earnings growth. Liquidity conditions also strengthened, as evidenced by the continuous rise in the Current Ratio, signaling improved short-term financial stability. Meanwhile, leverage remained relatively low and stable, suggesting reduced financial risk.

Despite these favorable fundamental developments, stock prices exhibited significant volatility. The decline in the Price Earnings Ratio indicates that rising corporate earnings were not fully translated into higher stock prices, likely due to external factors such as monetary tightening, shifts in investor preferences, and heightened macroeconomic uncertainty. These findings suggest that stock prices of LQ-45 companies are influenced not only by internal corporate fundamentals but also by broader macroeconomic conditions and market sentiment.

Despite the observed improvement in fundamental indicators, the inconsistency between corporate performance and stock price movements highlights a critical research gap. Empirical evidence remains limited regarding how firm-level fundamental factors interact with macroeconomic variables—particularly interest rate dynamics—in influencing stock prices of LQ-45 companies during the post-pandemic recovery period of 2020–2024. Most existing studies tend to examine either firm-specific fundamentals or macroeconomic factors in isolation, thereby overlooking their simultaneous effects in a period characterized by heightened economic uncertainty and monetary tightening.

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Based on this research gap, this study aims to examine the effect of firm-level fundamental factors, Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Earnings Per Share (EPS), and Price Earnings Ratio (PER) on stock prices of companies included in the LQ-45 Index during the 2020–2024 period. Furthermore, this study seeks to analyze the extent to which these fundamental factors explain stock price movements amid changing macroeconomic conditions in the post-pandemic recovery period.

LITERATURE RIVIEW

This study is grounded in Signaling Theory, which explains how firms convey signals to investors regarding managerial actions and future business prospects. The signals referred to in this context are primarily reflected in financial statements. Companies disclose financial information due to information asymmetry between internal management and external parties, as external investors generally possess less complete information about the firm.

In the absence of adequate information, external parties may assume that all firms have similar value and therefore assign relatively low prices to company stocks. This situation may disadvantage firms with better financial conditions and performance, as they may be undervalued, while firms with weaker performance may be overvalued. Consequently, companies are encouraged to provide accurate and reliable financial information as a signaling mechanism to reduce information asymmetry and uncertainty regarding future performance prospects (Sutama & Lisa, 2018). Information released to the public in the form of official announcements serves as a signal for investors in making investment decisions. Capital markets are expected to react when such information is disclosed, particularly if the announcement contains positive value-relevant information that influences investor perceptions and market behavior (Nur'Aini et al., 2020).

This study develops a conceptual framework that examines the influence of fundamental factors on stock prices of companies included in the LQ-45 Index. Fundamental factors are represented by Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Earnings Per Share (EPS), and Price Earnings Ratio (PER), which reflect profitability, liquidity, leverage, and market valuation aspects of firm performance. Each fundamental variable is hypothesized to have a direct effect on stock prices, reflecting investors' responses to financial signals disclosed through corporate financial statements. In addition, these fundamental factors are also tested simultaneously to evaluate their combined influence on stock prices, recognizing that

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investment decisions are typically based on multiple financial indicators rather than a single ratio. The conceptual framework of the effect of fundamental factors on stock prices, figure 1.

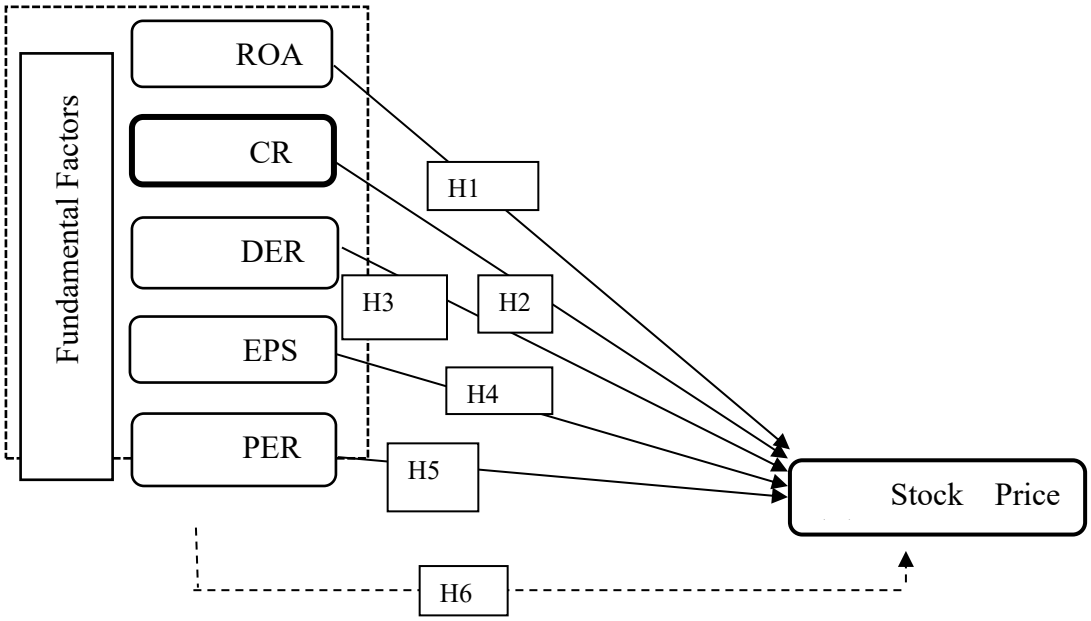


Figure 1. Conceptual Framework Research

Hyphotesis this research:

H1: Return on Assets (ROA) has a significant effect on stock prices of LQ-45 companies.
H2: Current Ratio (CR) has a significant effect on stock prices of LQ-45 companies.
H3: Debt to Equity Ratio (DER) has a significant effect on stock prices of LQ-45 companies.
H4: Earnings Per Share (EPS) has a significant effect on stock prices of LQ-45 companies.
H5: Price Earnings Ratio (PER) has a significant effect on stock prices of LQ-45 companies.
H6: Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Earnings Per Share (EPS), and Price Earnings Ratio (PER) simultaneously have a significant effect on stock prices of LQ-45 companies.

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METHODOLOGY

This study employs a quantitative research design aimed at testing hypotheses through statistical analysis. Quantitative research is characterized by the use of numerical data that can be systematically measured and analyzed using statistical techniques to examine relationships among variables. The data used in this study consist of secondary data in the form of financial statements of companies included in the LQ-45 Index listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024. These data are expressed in numerical form and are suitable for quantitative analysis to assess the influence of fundamental financial variables on stock prices. The quantitative approach enables the researcher to objectively evaluate the effects of firm-level fundamental factors—namely Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Earnings Per Share (EPS), and Price Earnings Ratio (PER) on stock prices. Statistical testing is conducted to determine both partial and simultaneous effects of the independent variables on the dependent variable, in accordance with the formulated research hypotheses.

The population of this study consists of all companies whose shares are included in the LQ-45 Index listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The LQ-45 Index represents 45 companies with the highest liquidity and market capitalization on the IDX. Therefore, the population of this study comprises 45 companies that were recorded in the LQ-45 Index throughout the observation period.

Table 2. Sample Selection Criteria

No	Criteria	Number of Companies
1	Companies included in the LQ-45 Index and listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period	45
2	LQ-45 companies that report financial statements using foreign currencies during the 2020–2024 period	13
3	LQ-45 companies whose number of outstanding shares was not stable or increased following index evaluations during 2020–2024	18
4	LQ-45 companies with incomplete data required for the study	2
Final Sample		12
Observation Period		**5 years**

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No	Criteria	Number of Companies
Total Observations		60

DISCUSSION

Based on the data processing results, the number of observations used in this study is 60 (Valid N = 60), derived from the financial statements of companies included in the LQ-45 Index and listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The normality test was conducted using the Kolmogorov–Smirnov test on the regression residuals. The results indicate an Asymp. Sig. (2-tailed) value of 0.200, which exceeds the significance level of 0.05 (table 3). Therefore, it can be concluded that the regression residuals are normally distributed, satisfying the normality assumption. Furthermore, the heteroskedasticity test results show that all independent varibles have significance values greater than 0.05. This indicates that no heteroskedasticity problem is detected in the regression model, suggesting that the variance of the error terms is constant. The multicollinearity test results demonstrate that no independent variable has a Tolerance value below 0.10, and all Variance Inflation Factor (VIF) values are below 10 (table 4). Accordingly, it can be concluded that there is no multicollinearity among the independent variables, and the regression model is free from intercorrelation issues.

Table 3. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		60
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	0.28521210
Most Extreme Differences	Absolute	0.074
	Positive	0.072
	Negative	-0.074
Test Statistic		0.074
Asymp. Sig. (2-tailed)		0.200[c,d]

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Table 4. Coefficients Collinearity Statistics

		Tolerance	VIF
	ROA	0.642	1.558
	CR	0.490	2.042
	DER	0.438	2.284
	EPS	0.460	2.174
	PER	0.373	2.680

Dependent Variable: Stock Price

Finally, the autocorrelation test reveals an Asymp. Sig. (2-tailed) value of 0.068, which is greater than 0.05. (table 5). This result indicates that no autocorrelation is present in the regression model. Overall, the findings confirm that all classical assumptions are satisfied, and the regression analysis can be reliably performed.

Table 5. Autocorrelation Test

	Unstandardized Residual
Test Value[a]	22.27727
Cases < Test Value	30
Cases >= Test Value	30
Total Cases	60
Number of Runs	24
Z	-1.823
Asymp. Sig. (2-tailed)	0.068

a. Median

Table 6 Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	3992.590	7118.220		0.561	0.577
	ROA	-107.834	57.604	-0.166	-1.872	0.067
	CR	-260.990	123.405	-0.215	-2.115	0.039

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	DER	-1738.728	1088.614	-0.172	-1.597	0.116
	EPS	9.597	1.350	0.746	7.109	0.000
	PER	114.087	38.461	0.346	2.966	0.005

Regression Coefficient Analysis (t-test)

The regression results reveal that among the examined fundamental variables, Earnings Per Share (EPS), Price to Earnings Ratio (PER), and Current Ratio (CR) significantly influence stock prices of LQ-45 companies during the 2020–2024 period. EPS shows a strong positive effect and emerges as the most influential variable, indicating that investors place primary emphasis on earnings performance when valuing stocks. PER also has a significant positive effect, suggesting that market valuation reflects growth expectations and investor confidence. In contrast, CR exhibits a significant negative effect, implying that excessively high liquidity may be perceived as inefficient asset utilization. Meanwhile, Return on Assets (ROA) and Debt to Equity Ratio (DER) do not have significant effects on stock prices, indicating that accounting profitability and leverage were not major considerations for investors during the study period. Overall, these findings suggest that LQ-45 stock prices are more responsive to earnings-based and market valuation indicators than to traditional accounting ratios.

Regression Coefficient Analysis (Simultaneous Test)

Table 7. Simultaneeous Test

Model		Sum of Squares	f	Mean Square	F	Sig.
	Regression	321097989.971		40137248.746	18.310	0.000[b]
	Residual	111798327.762	1	2192124.074		
	Total	432896317.733	9			

a. Dependent Variable: HARGA SAHAM
b. Predictors: (Constant), CR, DER, ROA, EPS, PER
Sumber : *Output* SPSS versi 25

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Based on the results presented in the table, the calculated F-statistic (F-count) is 18.310, which is greater than the critical F-table value of 2.39 (18.310 > 2.39). Therefore, Hypothesis H6 is accepted. This result indicates that Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Earnings Per Share (EPS), and Price to Earnings Ratio (PER) simultaneously influence stock prices of companies included in the LQ-45 Index during the 2020–2024 period. Furthermore, the significance value of 0.000, which is lower than the 0.05 significance level, confirms that the independent variables jointly have a statistically significant effect on stock prices of LQ-45 companies. These findings suggest that while certain variables may not exhibit significant individual effects, their combined influence plays an important role in explaining stock price movements during the study period.

Table 7. Coefficient Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.861[a]	0.742	0.701	1480.582

a. Predictors: (Constant), CR,, DER, ROA, EPS, PER
Sumber : *Output* SPSS versi 25

Based on the table above, the R Square value is 0.742 (74.2%), which falls into the strong category. This value indicates that Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Earnings Per Share (EPS), and Price to Earnings Ratio (PER) jointly explain 74.2% of the variation in stock prices of companies included in the LQ-45 Index during the 2020–2024 period. This result suggests that the dependent variable, namely stock price, can be substantially explained by the independent variables included in the model. Meanwhile, the remaining 25.8% of the variation in stock prices is influenced by other factors not examined in this study, such as macroeconomic conditions, market sentiment, government policies, or firm-specific characteristics beyond the selected fundamental indicators.

CONCLUSION

The findings of this study can be explained through Signaling Theory, which suggests that companies convey information through financial indicators to reduce information asymmetry and influence investor decisions. The results show that earnings-based and market valuation indicators, particularly Earnings Per Share (EPS) and Price

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to Earnings Ratio (PER), serve as strong positive signals that significantly affect stock prices, reflecting investor emphasis on future profitability and growth expectations. In contrast, accounting-based ratios such as Return on Assets (ROA) and Debt to Equity Ratio (DER) do not significantly influence stock prices, indicating that these indicators may provide weaker or less relevant signals during periods of economic uncertainty, such as the post-pandemic recovery. Meanwhile, the negative effect of the Current Ratio (CR) suggests that excessively high liquidity may be interpreted as inefficient asset utilization rather than financial strength, generating a negative signal to the market. The significant simultaneous effect of all variables and the high explanatory power of the model indicate that fundamental financial information collectively provides meaningful signals to investors, although stock prices are also shaped by external factors such as macroeconomic conditions and monetary policy. Overall, this study demonstrates that during the 2020–2024 period, investors in the Indonesian capital market relied more heavily on earnings and valuation signals than on traditional accounting ratios, offering important theoretical insights and practical implications for investors, corporate managers, and policymakers, while also highlighting the need for future research to integrate firm-level fundamentals with broader macroeconomic dynamics.

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