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What's Up With Stock Prices? An Empirical Study of Financial Performance and Company Scale Indexed in LQ45 During 2019-2022

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Abstract:

The aim of this study is to analyze the influence of Debt to Equity Ratio, Earnings Per Share, Net Profit Margin, Net Income, and Company Size on the companies indexed in the LQ45 in Indonesia from 2019 to 2022. This research utilizes secondary data with a population comprising 58 companies indexed in the LQ45 in Indonesia during the years 2019-2022. The technique employed is purposive sampling with the multiple linear regression analysis method. The results of this study indicate that, partially, Debt to Equity Ratio and Net Profit Margin do not significantly influence the companies indexed in the LQ45 in Indonesia from 2019 to 2022. However, Earnings Per Share, Company Size, and Net Income significantly influence the companies indexed in the LQ45 in Indonesia from 2019 to 2022.

Keywords: *Debt to Equity Ratio, Earning Per Share, Net Profit Margin, Net Income, Size*

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1. Introduction

The stock market serves as a pivotal source of funding for companies, as noted by (Pratama & Erawati, 2016). When a company goes public, it expands its funding sources by selling ownership stakes in the capital market, as explained by (Ali & Hussin, 2016). In this market, which comprises various long-term financial instruments like debt and equity, stocks stand out as a preferred investment choice due to their potential for attractive returns, be it through dividends or capital gains. Assessing stock prices involves employing several analyses, including technical and fundamental analyses, as highlighted by (Apriyani, 2019). Fundamental analysis, as described by Ariani, (2010), aids in evaluating whether stocks are performing favorably or not, thus guiding decisions to buy or sell securities. These analyses encompass diverse methods such as the dividend discount model (DDM), price-earnings ratio (PER), risk and return assessments, single market models, multifactor models, and events studies (Christiana, 2018).

Investors, as indicated by Jauharia Hatta & Sugeng Dwiyanto, (2012), closely scrutinize a company's financial performance when selecting stocks. Various

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financial ratios serve to measure this performance, each with its own significance and interpretation for decision-making purposes. Liquidity ratios, solvency ratios, activity ratios, and profitability ratios constitute the spectrum of financial metrics used. Anomalies arise, such as instances where the Debt-to-Equity Ratio (DER) rises alongside stock prices, contrary to the expectation that a higher DER should correspond to lower stock prices, as suggested by (Siahaan et al., 2023). Similarly, increases in Earnings Per Share (EPS) and Net Profit Margin (NPM) sometimes coincide with decreases in stock prices, contrasting with anticipated outcomes (Bernardin & Pebriyyanti, 2016). Thus, the question arises: what impact do Debt to Equity Ratio, Earnings Per Share, and Net Profit Margin have on stock prices? This research aims to explore and analyze precisely that.

Previous studies present divergent perspectives, with some, like Suparningsih, (2017), asserting a positive correlation between DER and stock prices, while others, like Cahyaningrum & Antikasari, (2017), finding no such connection. Similarly, findings regarding the influence of Earnings Per Share vary, with Damayanti & Valianti, (2017) reporting a positive effect in India, contrasting with results from studies like Ariandi, (2014) in Indonesia, which found no significant impact. Moreover, while Bahtiar & Kharisma, (2020) and Egam et al., (2017) argue for a negative relationship between Net Profit Margin and stock prices, Hapsoro & Husain, (2019) contends for a positive and significant association. Consequently, this study seeks to reconcile these disparities and contribute to bridging gaps in existing research.

2. Theoretical Background

According to Gursida, (2017) Financial Performance Can Financial performance is a measure of how much a company's performance is capable of creating profits, profits or income. According to Kasmir (2015:104) financial ratios are activities that compare the numbers in financial reports by dividing one number by another number. Comparisons can be made between components in one financial report or between components in financial reports, then the figures being compared can be figures in one period or several periods.

Stock Price

According to Ibrahim et al., (2014), stock prices are determined by the performance of the issuing company. If the company is able to generate high profits, it can allocate a significant portion of those profits as dividends. The prospect of high dividends attracts the interest of the public to buy the stock, resulting in increased demand.

According to Hastiningsih, (2019), stock prices represent the prices that occur on the stock exchange at a particular time. Stock prices can fluctuate rapidly, either up or down, within minutes or even seconds. This depends on the supply and demand between buyers and sellers of stocks. The stock price of a company always experiences fluctuations, which can provide profits for investors. Therefore, investors greatly need information about the factors that can affect stock prices, both

directly and indirectly.

Debt To Equity Ratio

According to Kasmir (2012), Debt to Equity Ratio (DER) is a ratio used to assess the relationship between debt and equity. DER is calculated by comparing the total debt of a company with its total equity. This ratio reveals how a company finances its operations through its capital structure, derived from long-term debt and equity funds (Hastiningsih, 2019). The debt to equity ratio is employed to evaluate the magnitude of a company's debt relative to its equity. If a company's debt to equity ratio is high, there is a possibility that its stock price will be low because, in the event of profits, the company tends to prioritize debt repayment over dividend distribution. The magnitude of DER can be observed from the company's financial statements reported annually to the Stock Exchange, providing signals to investors that influence the supply and demand levels in the stock market related to the company's stock price. This aligns with previous studies by Sambelay et al., (2017), Kumar, (2017), Rochmatullah et al., (2023), which indicate that DER has a negative and significant impact on stock prices. Based on the preceding research and explanations, the hypothesis is:

H_1 = Debt to Equity Ratio (DER) significantly influences stock prices.

Earning Per Share

The earnings per share (EPS) ratio is utilized by investors to assess how effectively each share generates profit. This ratio reflects management's success in providing returns to shareholders, where a high ratio indicates greater prosperity for shareholders. EPS serves as a primary indicator because dividends are paid out of earnings, and there is a positive relationship between earnings changes and stock prices; if EPS increases, the company's stock price tends to increase as well. This concept is related to signal theory, where EPS provides signals for investors to buy or sell shares. Several studies support that EPS has a positive and significant influence on stock prices Mawardi, (2011), Meida Dzulqodah, (2016). Therefore, based on previous research and the explanations above, the hypothesis is :

H_2 = Earning Per Share (EPS) significantly influences stock prices.

Net Profit Margin

According to Azmi et al., (2016), Net Profit Margin (NPM) indicates a company's ability to generate net profit from each sale. The higher the NPM, the better the company's performance and the increased investor confidence for investment. This ratio also influences stock prices as it reflects the company's efficiency in turning sales into actual profit. Previous research has shown that NPM significantly affects stock prices(Mussalamah & Isa, 2015). From the research findings Kusumawati, (2018), NPM simultaneously affects stock prices. The theoretical basis above generates the following hypothesis:

H_3 = Net Profit Margin (NPM) significantly influences stock prices.

Net Profit
According to Thomas, (2008), profit is a summary of the net results of operating activities within a certain period expressed in financial terms. Linawaty & Ekadjaja, (2017) states that net profit originates from revenue transactions, expenses, gains, and losses. Net profit or loss is the profit or loss from ongoing operations plus or minus discontinued operations and extraordinary losses, providing financial statement users with an overview of the company's overall performance during the period (both from ongoing operations and otherwise).

Research conducted by Wulandari et al., (2021), Sahara et al., (2022) and Nurfadillah, (2011) demonstrates that net profit significantly influences stock prices. This indicates that net profit is a crucial factor in increasing a company's stock price. The higher the profit earned by the company, the greater the chance of attracting investors, as one of the criteria investors consider for investment is a company's profit. Net profit reflects the company's good performance. Based on previous research and the explanations above, the hypothesis is:
H_4 = Net Profit (NI) significantly influences stock prices.

Company Size
Nurlia & Juwari, (2020) argue that the size of a company can be determined by its assets, with larger assets attracting investor confidence and leading to higher stock prices. Dwiatma, (2011) support this notion, stating that larger companies or assets tend to have higher stock prices, while lower stock prices indicate smaller company size or assets. Additionally, Pratiwi, (2020) suggest that larger companies have a positive influence on the quality and performance levels, convincing investors to invest capital, thereby driving up the company's stock prices due to increased demand. Therefore, based on the collective findings, the hypothesis is:
H_5 = Company Size (Size) significantly influences stock prices.

3. Methodology

In this study, the researcher employs a quantitative research method, wherein quantitative data involves numerical figures and is statistically analyzed (Sugiyono, 2018). The data source utilized in this research is secondary data obtained from the website www.idx.co.id. The population in this study comprises 58 companies listed in the LQ45 index in Indonesia from 2019 to 2022. The data collection technique involves Purposive Sampling method, where the sample consists of companies consecutively listed for 3 years in the LQ45 index, companies experiencing losses from 2019 to 2022, and companies with incomplete data. Based on these criteria, we obtained 92 research samples.

Operational Definition of Variables and Their Measurement
The measurement of each variable in this research can be seen in the table below, as follows:

Table 1. Variable Measurement

Varible	Indicator	Reference

Stock price	Closing Share Price	(Munawir, 2012)
Debt to equity Ratio	$\text{DER} = \frac{Total\ Debt}{Equity}$	(Syamsuddin., 2011).
Earning Per Share	$\text{EPS} = \frac{\text{Net profit}}{\text{Total Shares}}$	(Hartono, 2015)
Net Profit Margin	$\text{NPM} = \frac{Net\ Profit}{total\ Sales}$	(Kasmir, 2016)
Net Profit	$\text{Net Profit} = Gross\ Profit - Tax\ Expense$	Gitman, 2012)
Company Size	$\text{Size} = \text{LN Total Asset}$	(Kasmir., 2015)

Analysis Design

The data analysis method employed in this study utilizes the multiple regression analysis model with the SPSS program as a tool for data analysis. Data analysis for hypothesis testing involves multiple linear regression analysis to examine the influence of independent variables (Net Income, Debt to Equity Ratio, Company Size) on the dependent variable (Stock Price). Multiple linear regression is a regression model involving more than one independent variable. Multiple linear regression analysis is conducted to determine the direction and magnitude of the influence of independent variables on the dependent variable (Ghozali, 2018). The regression equation in this study is as follows:

$$\boldsymbol{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e}$$

Description:

Y = The stock price at the end of the year.
α = The constant
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = The regression coefficient
X_1 = *Debt to Equity Ratio* (DER)
X_2 = *Earning Per Share* (EPS)
X_3 = *Net Profit Margin* (NPM)
X_4 = Net Income (NI)
X_5 = Company Size (Size)
e = error

4. Empirical Findings/Result

Descriptive statistics is a statistical method used to analyze data by describing or depicting the collected data as it is, without intending to draw conclusions that apply universally or generalize. Data analysis techniques to describe data include percentages and mean (Mean).

Table 2. Results of Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Dev
DER	92	0,93	1,05	,9861	,02905
NPM	92	3,63	44,08	20,1346	10,67147
EPS	92	1,01	1,47	1,2353	,07449

SIZE	92	29,35	33,66	31,3867	,93924
NI	92	23,26	31,66	28,7557	1,30401
SP	92	5,88	10,57	8,1961	1,04384

Source: Data Processing Results, 2024

Debt to equity ratio (DER) has a minimum value of 0.93 and a maximum value of 1.05. The average value obtained is 0.9861, indicating that the average percentage of DER is 98.61% of the total DER. The standard deviation is 0,02905. Net profit margin (NPM) has a minimum value of 3.63 and a maximum value of 44.08. The average value obtained is 20,1346, indicating that the average percentage of NPM is 2013.46% of the total NPM. The standard deviation is 10,67147. Earnings per share (EPS) has a minimum value of 1.01 and a maximum value of 1.47. The average value obtained is 1.2353, indicating that the average percentage of EPS is 123.53% of the total EPS. The standard deviation is 0,07449. Company size (SIZE) has a minimum value of 29.35 and a maximum value of 33.66. The average value obtained is 31.3867, indicating that the average percentage of SIZE is 3138.67% of the total SIZE. The standard deviation is 0.93824. Net income (NI) has a minimum value of 23.26 and a maximum value of 31.66. The average value obtained is 28.7557, indicating that the average percentage of NI is 2875.57% of the total NI. The standard deviation is 1.30401.

The results of the Classical Assumption Test

Normality Test

The normality test aims to examine whether the disturbance or residual variables in the regression model have a normal distribution or not. The normality test in this study utilizes the Non-Parametric Kolmogorov-Smirnov statistical test. A variable is considered to have a normal distribution if the Asymptotic sig. (2-tailed) value is interpreted as follows: if at $\alpha = 5\%$ $p > 0.05$, then the data distribution meets the normality assumption; conversely, if $p < 0.05$, the data distribution is considered non-normal. Below is the table showing the results of the normality test.

Table 3. One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test	
Asymp. Sig. (2-tailed)	.200[c,d]

Source: Data Analysis Results, 2024

Based on the table above, the Asymp. Sig. (2-tailed) value obtained is 0.200. According to the normality test requirement, the p-value of 0.200 is greater than 0.05. Therefore, it can be concluded that the data in the research model follows a normal distribution.

Multicollinearity Test

Multicollinearity test aims to examine whether there is high correlation among the independent variables within the linear regression model. To assess multicollinearity, one can look at the values of tolerance and Variance Inflation Factor (VIF). The common threshold values are a tolerance value of 0.1 or a VIF value of 10. If VIF > 10 or if tolerance < 0.1, then multicollinearity exists within the regression model. Below are the results of the multicollinearity test.

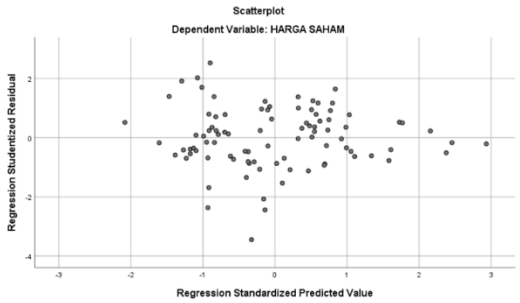
Table 4. Multicollinearity Test Results

Variable	Tolerance	VIF	Information
DER	.796	1.257	Multicollinearity does not occur
NPM	.935	1.069	Multicollinearity does not occur
EPS	.537	1.861	Multicollinearity does not occur
SIZE	.549	1.821	Multicollinearity does not occur
NI	.434	2.303	Multicollinearity does not occur

Source: Data Analysis Results, 2024

Based on the table above, it shows that the tolerance values are > 0.10 or the VIF values are < 10. Thus, it can be concluded that there is no multicollinearity among the independent variables in the regression model, and the regression model is suitable for use.

Heteroscedasticity Test



Based on the above figure, we can observe that the data points are scattered both above and below or around the number 0. We can then see that the data points are not only clustered above or below. The distribution of the data points does not form a wave-like pattern, widening and then narrowing again. We can also see that the data points do not form any specific pattern. Based on the analysis, we can conclude that there is no heteroskedasticity issue; thus, the regression model meets the criteria of being good and ideal.

The results of Hypothesis Testing

Multiple linear regression analysis conducted using SPSS 23 program resulted in data as shown in Table 5:

Table 5. Regression Analysis Results

Model	Coeff.	t	Sig
(Constant)	-4.459	-1,545	.126
DER	-4.189	-1,670	.099
NPM	.000	,021	.983
EPS	11.914	10,007	.000
SIZE	.224	2,400	.019
NI	-.173	-2,289	,025

Source : Data processing, 2024

Based on the table, the regression equation can be formulated:
Y = -4,459 – 4,189DER + 0,000 NPM + 11,914 EPS + 0,224 Size – 0,173 NI + e
The constant (α) is -4.459. This implies that if the independent variables are 0 (absent) or constant, then the company value will be -4.459. The coefficient of DER is -4.189. This indicates that for every decrease of one unit in DER, the stock price will increase by 4.189. The coefficient of NPM is 0.000. This means that there is no increase or decrease of one unit in the stock price. The coefficient of EPS is 11,914. This implies that for every increase of one unit in EPS, the stock price will increase by 11,914. The coefficient of SIZE is 0.224. This can be interpreted as meaning that for every increase of one unit in SIZE, the stock price will increase by 0.224. The coefficient of NI is -0.173. This implies that for every decrease of one unit in NI, the stock price will increase by 0.173.

F Test

Table 6. F Test

	Df	Mean Square	F	Sig
Regression	5	13,216	34,366	.000
Residual	86	,385		
Total	91			

Source : Data processing, 2024

The F test is conducted to determine whether there is a simultaneous relationship or influence of the independent variables or predictors on the dependent variable. The table below will present the analysis of variance for the relationship simultaneously. Based on the calculation results using SPSS, the significance level obtained is 0.000, where the significance level < α = 0.05. This means that the independent variables DER, NPM, EPS, SIZE, and NI collectively have a significant effect on the dependent variable, stock price.

T Test

Table 7. T test Results

Model	Coeff.	t	Sig
(Constant)	-4.459	-1,545	.126
DER	-4.189	-1,670	.099
NPM	.000	,021	.983
EPS	11.914	10,007	.000
SIZE	.224	2,400	.019
NI	-.173	-2,289	,025

Source : Data processing, 2024

a. The t-test result for the variable measured using the debt to equity ratio (DER) yielded a significance value of 0.099. While this falls slightly above the conventional threshold of 0.05 for statistical significance, it's worth noting that in certain financial contexts, even relatively small changes in the debt to equity ratio can have substantial practical implications for a company's financial health and risk profile. Further investigation into potential moderating or mediating variables could provide deeper insights into the relationship between DER and stock prices.

b. The t-test result for the variable measured using the net profit margin (NPM) yielded a significance value of 0.983, indicating a lack of statistical significance. However, it's important to recognize that while NPM may not directly impact stock prices at the observed level, it remains a critical metric for assessing a company's operational efficiency and profitability over time, which could indirectly influence investor sentiment and market performance.
c. The t-test result for the variable measured using earnings per share (EPS) yielded a significance value of 0.000, indicating a highly significant relationship with stock prices. This underscores the substantial impact that EPS can have on investor valuation and market behavior. Companies with higher EPS tend to attract greater investor interest and confidence, leading to potential stock price appreciation.
d. The t-test result for the variable measured using company size (SIZE) yielded a significance value of 0.019, indicating a statistically significant relationship with stock prices. While seemingly small in magnitude, variations in company size can carry significant implications for market dynamics, such as liquidity, risk exposure, and growth potential. Understanding how SIZE interacts with other factors in driving stock prices could provide valuable insights for investors and financial analysts.
e. The t-test result for the variable measured using net income (NI) yielded a significance value of 0.025, indicating a statistically significant relationship with stock prices. This suggests that changes in net income can directly influence investor perceptions and market valuations of a company. Analyzing the magnitude and direction of this relationship alongside other financial indicators can offer deeper insights into the drivers of stock price movements and investor behavior.

Determinant Coefficient

Table 8. R^2 Test

Model	R	R Square	Adj R Square	Std Errpr
1	.816	.666	.647	.62014

Source: Data processing, 2024

The coefficient of determination (R^2) is used to assess the extent to which independent variables explain the variability of the dependent variable in the regression model. The results of the coefficient of determination test can be seen in the following table. Based on the table above, the data shows that the coefficient of determination indicates a value of Adjusted R Square of 0.647 or 64.7%. This means that 64.7% of the variation in stock prices can be explained by debt to equity ratio (DER), net profit margin (NPM), earnings per share (EPS), company size (Size), and net income (NI). Meanwhile, the remaining 35.3% may be influenced by other factors outside the scope of this research model.

Discussion

The Influence of Debt to Equity Ratio (DER) on LQ45 Index Stock Prices The Debt to Equity Ratio (DER) serves as a critical metric in evaluating a company's financial structure. This study delves into the intricate relationship between DER and stock prices of companies listed in the LQ45 index on the Indonesia Stock Exchange (BEI) from 2019 to 2022. By providing a thorough analysis, this research aims to illuminate the nuanced influence of DER on stock prices, building upon and integrating previous findings to underscore its novelty and contribution to the field. Contrary to conventional wisdom, the analysis reveals that the DER does not significantly impact the stock prices of companies within the LQ45 index during the specified period. Despite previous studies suggesting a negative correlation between high DER values and stock prices, the findings of this research challenge such assertions. Exploring the intricacies of this relationship, it becomes evident that while high DER values may indeed signal heightened company risk due to a heavier reliance on debt, the market dynamics within the LQ45 index appear to mitigate the anticipated negative effects on stock prices.

Building upon the groundwork laid by Putra & Kindangen, (2016), Utami et al., (2017), Hutami, (2012), and Kasmir, (2019), this study enriches the discourse by providing a more nuanced understanding of the interplay between DER and stock prices within the context of the LQ45 index. While previous research highlighted the adverse effects of high DER values on stock prices, this study unveils the complexities underlying this relationship, emphasizing the need for context-specific analyses. Moreover, by synthesizing and contextualizing previous findings within the framework of the LQ45 index, this research underscores its contribution to the existing body of knowledge. Rather than merely reiterating established correlations, this study challenges conventional wisdom, paving the way for a deeper exploration of the factors influencing stock prices in the Indonesian market.

In conclusion, this research offers a comprehensive analysis of the influence of DER on stock prices within the LQ45 index, challenging conventional assumptions and enriching the discourse with nuanced insights. By integrating previous findings and contextualizing them within the specific market dynamics of the LQ45 index, this study not only contributes to the existing body of knowledge but also paves the way for further research into the multifaceted interactions shaping stock prices in the Indonesian context.

The Influence of Net Profit Margin (NPM) on LQ45 Index Stock Prices

In this study, we delve into the relationship between Net Profit Margin (NPM) and the stock prices of companies listed in the LQ45 on the Indonesia Stock Exchange (BEI) from 2019 to 2022. Contrary to conventional wisdom, our research findings reveal that NPM does not exert a significant influence on the stock prices of these companies during the specified period. This outcome echoes the conclusions drawn by Azmi et al. (2016) and Suparjo, (2010), which similarly suggest that NPM lacks substantial impact on stock prices.

Understanding NPM is pivotal in evaluating a company's profitability dynamics. A high NPM signifies an efficient conversion of revenue into net profit, whereas a low NPM may indicate inefficiencies or challenges in profit generation. While NPM is traditionally viewed as a crucial metric for assessing profitability, our study offers deeper insights into its role within the context of stock price dynamics within the LQ45 index.

Moreover, our findings suggest that despite its significance in gauging profitability, NPM might not directly influence investment decisions or stock pricing mechanisms within the Indonesian capital market. This nuanced understanding underscores the complexity of factors influencing stock prices, beyond mere profitability metrics.

Integrating the discussion of previous research findings allows us to contextualize our study within the existing body of literature. By synthesizing prior conclusions with our own empirical analysis, we underscore the novelty and contribution of our research. Our study not only reaffirms previous findings but also extends the discourse by providing a more nuanced understanding of the relationship between NPM and stock prices within the specific context of the LQ45 index.

The influence of company size (SIZE) on the LQ45 index share price

The influence of company size (SIZE) on the LQ45 index share price is a crucial aspect of understanding stock market dynamics. In this study, spanning the years 2019 to 2022, an examination of LQ45 indexed companies on the IDX reveals compelling insights into how company size impacts share prices.

The research findings unveil a significant correlation between company size and share prices within LQ45 indexed companies. Specifically, the positive coefficient associated with the company size variable signifies that as a company's total sales increase, so does its share price. This suggests a direct relationship wherein higher sales volumes translate to higher stock values on the exchange. Such a relationship underscores the importance of company performance metrics, such as sales, in determining market valuation.

Delving deeper, it becomes evident that the observed increase in total sales directly influences the uptick in share prices. This aligns with economic principles wherein heightened sales indicate improved financial health and growth prospects for a company. Consequently, investors perceive such companies as more valuable entities, thereby driving up share prices.

Moreover, the findings of this study not only reaffirm established research but also contribute to the existing body of knowledge in several ways. By integrating previous research findings, such as those of Sukarno et al., (2016), Suryawan, (2017) and W. Utami & Tho'in, (2021) into the discussion, this study enhances the understanding of the relationship between company size and share prices. Ghauri's and Putranto's research laid the groundwork by demonstrating the significant influence of company size on stock prices. By building upon their findings, this study adds depth and nuance to the discourse, providing a more comprehensive understanding of how company size affects stock market dynamics.

In essence, this research underscores the critical role that company size plays in determining stock prices within the LQ45 index. By elucidating the mechanisms through which company size influences share prices and integrating previous research findings, this study offers valuable insights into the intricacies of stock market behavior, thereby contributing to the advancement of financial knowledge and practice.

The influence of Net Profit (NI) on the LQ45 index share price

The study investigates the influence of Net Profit (NI) on the share prices of companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX) from 2019 to 2022. The findings reveal that net profit does indeed impact share prices in LQ45 indexed companies during the specified period. However, investors' decisions are not solely driven by net profit figures; instead, they consider various factors such as historical sales growth percentages and dividend policies.

Historical data on sales growth percentage play a crucial role in investors' decision-making process. Companies demonstrating consistent sales growth, year after year, are perceived favorably by investors. This consistency signifies the company's ability to sustain and potentially increase its revenue streams, thereby enhancing investor confidence. Moreover, a steady increase in sales growth reflects positively on the company's profitability prospects, consequently leading to higher share prices.

Similarly, the implementation of a robust dividend policy contributes significantly to investors' perceptions of a company's financial health and performance. Companies with a consistent and increasing dividend payout over time are viewed as financially stable and capable of generating sustainable returns for investors. This not only instills trust in the company's management but also serves as an indirect indicator of improving profit-making abilities. Consequently, as net profit increases, accompanied by a rising dividend payout, share prices tend to appreciate, reflecting the positive sentiment among investors.

Integrating previous research findings into the discussion further enhances the depth of understanding regarding the relationship between net profit and share prices. Studies conducted by Zaki et al., (2017), Suryawan, (2017) and W. Utami & Tho'in, (2021) have corroborated the notion that net profit, along with factors such as sales growth and dividend policies, influences share prices. By aligning our findings with these established studies, the research underscores the consistency and reliability of the observed relationships.

In essence, this study contributes to the existing body of knowledge by providing a nuanced understanding of the interplay between net profit, sales growth, dividend policies, and share prices within the context of LQ45 indexed companies on the IDX. By delving deeper into the influence of each independent variable and integrating prior research findings, this research elucidates the dynamics driving investor behavior and market outcomes, thereby offering valuable insights for practitioners and academics alike.

5. Conclusions

In conclusion, this research provides valuable insights into the relationship between various financial indicators and stock prices. The findings corroborate previous studies by Mawardi (2009), Setianingrum (2009), Patriawan (2011), and Ramadhan (2011), suggesting that the debt to equity ratio (DER) does not significantly affect stock prices. High DER tends to have a negative impact on stock prices, signaling elevated company risk and reduced investor interest. Similarly, the research indicates that net profit margin (NPM) does not exert a significant influence on stock prices, although it holds potential for predicting future company profit growth.

However, earnings per share (EPS) and net income (NI) exhibit a positive correlation with stock prices, with high EPS indicating increased investor prosperity and rising net income bolstering investor confidence in the company. Furthermore, company size (SIZE) demonstrates a positive impact on stock prices, indicating a link between increasing company sales and rising stock prices.

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