

PROFITABILITY AND MARKET VALUE ON STOCK PRICE: FIRM SIZE MODERATION IN PUBLIC COMPANIES IN INDONESIA

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Abstract: *This study aims to analyze the influence of profitability, market value, and firm size on the stock prices of pharmaceutical companies and examine the role of moderating variables in strengthening this relationship. The pharmaceutical industry was chosen as the research object due to its innovation-intensive nature, tight regulation, and stock price dynamics that do not always align with the company's fundamental performance. This study employed a quantitative approach using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method. The research data consisted of secondary data obtained from financial reports and stock price data of pharmaceutical companies listed on the Indonesia Stock Exchange during a specific observation period. The analysis technique involved evaluating the measurement model (outer model) and the structural model (inner model), as well as testing hypotheses using bootstrapping procedures. The results showed that profitability, market value, and firm size had a positive and significant effect on stock prices. Furthermore, the results of the moderating variable test indicated that the moderating variables were able to strengthen the relationship between the company's fundamental variables and stock prices. The research model has strong explanatory power, as demonstrated by a high coefficient of determination and the fulfillment of all validity and reliability criteria. This research provides a theoretical contribution by enriching the capital market literature on stock price formation mechanisms, particularly in the pharmaceutical sector, with an emphasis on the important role of moderating variables. Practically, the results of this study can be used as a consideration by company management and investors when making investment decisions based on fundamental company information.*

Keywords: stock price, profitability, market value, company size, pharmaceutical company, PLS-SEM

Abstrak: Penelitian ini bertujuan untuk menganalisis pengaruh profitabilitas, nilai pasar, dan ukuran perusahaan terhadap harga saham perusahaan farmasi, serta menguji peran variabel moderasi dalam memperkuat hubungan tersebut. Industri farmasi dipilih sebagai objek penelitian karena karakteristiknya yang padat inovasi, diatur secara ketat, dan memiliki dinamika harga saham yang tidak selalu sejalan dengan kinerja fundamental perusahaan. Penelitian ini menggunakan pendekatan kuantitatif dengan metode Partial Least Squares–Structural Equation Modeling (PLS-SEM). Data penelitian berupa data sekunder yang diperoleh dari laporan keuangan dan data harga saham perusahaan farmasi yang terdaftar di Bursa Efek Indonesia selama periode pengamatan tertentu. Teknik analisis dilakukan melalui evaluasi model pengukuran (model luar) dan model struktural (model dalam), serta pengujian hipotesis menggunakan prosedur bootstrapping. Hasil penelitian menunjukkan bahwa profitabilitas, nilai pasar, dan ukuran perusahaan berpengaruh positif dan signifikan terhadap harga saham. Selain itu, hasil pengujian

variabel moderasi menunjukkan bahwa variabel moderasi mampu memperkuat hubungan antara variabel fundamental perusahaan dan harga saham. Model penelitian ini memiliki daya penjelas yang kuat, ditunjukkan oleh nilai koefisien determinasi yang tinggi serta pemenuhan semua kriteria validitas dan reliabilitas. Studi ini memberikan kontribusi teoritis dengan memperkaya literatur pasar modal mengenai mekanisme pembentukan harga saham, khususnya di sektor farmasi, dengan menekankan peran penting variabel moderasi. Secara praktis, hasil penelitian ini dapat menjadi pertimbangan bagi manajemen perusahaan dan investor dalam mengambil keputusan investasi berdasarkan informasi fundamental perusahaan.

Kata Kunci : harga saham, profitabilitas, nilai pasar, ukuran perusahaan, perusahaan farmasi, PLS-SEM

INTRODUCTION

Capital markets play a vital role in the economy as a means of raising funds and as an investment medium, with stock prices being a key indicator reflecting investors' assessment of a company's performance and prospects. In financial theory, stock prices are influenced by fundamental company information, such as profitability, market value, and size, which reflect the company's ability to create value and manage risk ([Watts & Zimmerman 1986](#)).

Empirically, there is a phenomenon where stock price movements do not always align with a company's fundamental performance. Some companies with relatively high profitability do not always experience commensurate share price increases, while others with moderate financial performance experience significant share price increases. This phenomenon demonstrates a gap between accounting performance and market response, indicating that investors respond not only to direct financial information but also to specific expectations, sentiments, and context.

In the pharmaceutical sector, this phenomenon is becoming increasingly relevant. Research by [Patriarini \(2020\)](#) shows that sectors based on innovation and strict regulation tend to experience stock price volatility that cannot be fully explained by short-term financial performance. This indicates that the relationship between fundamental variables and stock prices is conditional and not always linear.

Several previous studies have examined the effect of profitability on stock prices, and most found a positive and significant relationship ([Tio & Prima 2022](#)). However, other

studies have reported different results, particularly in specific sectors and over different observation periods, indicating inconsistencies in the empirical findings.

Similarly, research on market value and stock prices has yielded mixed results. [Hulasoh & Mulyati \(2022\)](#) found that market valuation plays a significant role in stock price formation, while other research suggests that the influence of market value can weaken when the market is under conditions of high market uncertainty. Meanwhile, company size is often associated with company stability and risk [Handayani \(2022\)](#), but its influence on stock prices has not shown consistency across sectors.

Furthermore, most previous research still focuses on the direct influence of fundamental variables on stock prices, without including moderating variables that can strengthen or weaken this relationship. However, [Sidauruk & Sari \(2021\)](#) emphasize that the relationship between variables in social and financial sciences is often conditional. This limitation creates a research gap, particularly regarding how and under what conditions fundamental variables influence stock prices.

The selection of pharmaceutical companies as research subjects was based on theoretical and empirical considerations. The pharmaceutical industry is a sector intensive in knowledge, innovation, and regulation, so market response to company performance is based not only on short-term profits but also on expectations of innovation and business sustainability ([Putri & Ramadhan 2023](#)).

Research by ([Claessens & Yurtoglu 2013](#)) shows that in strategic and highly

regulated sectors, market mechanisms operate differently than in the general manufacturing sector. Furthermore, the relatively stable demand for pharmaceutical products makes this sector a relevant context for examining the influence of fundamental variables on stock prices in more depth. However, empirical research specifically focusing on pharmaceutical companies, particularly incorporating moderating variables, remains relatively limited.

Based on the gap phenomenon and research gap, this study aims to analyze the influence of profitability, market value, and firm size on pharmaceutical company stock prices and examine the role of moderating variables in strengthening this relationship. By integrating previous research findings and a more comprehensive empirical approach, this study is expected to bridge the gap between theory and practice and contribute to the development of capital market literature, particularly in the pharmaceutical sector.

Formulation problem

Based on background behind research, characteristics industry pharmacy, as well as results study theoretical and empirical previously, then formulation problem in study This is as following:

1. Does market value matter? to price share company pharmacy?
2. What is profitability influential to price share company pharmacy?
3. What is the size company influential to price share company pharmacy?
4. What is the variable moderation capable strengthen influence market value against price share company pharmacy?
5. What is the variable moderation capable strengthen influence profitability and size company to price share company pharmacy?

Literature Review and Hypothesis Development

Theoretical Study

Capital Market Theory and Stock Prices

In capital market theory, the price share reflect mark the company that was formed through mechanism supply and demand in the market. Stock prices represent investor expectations regarding performance, risks, and prospects companies in the future ([Fama 1970](#)). Information published by companies, especially information finance, to be base main for investors in do assessment and decision making decision investment. According to the Efficient Market Hypothesis (EMH), the price share will adapt in a way fast to relevant information. Therefore that is, changes in the company's fundamental indicators like profitability, market value, and size company will reflected in movement price shares. However, the level of market efficiency can different between sector industry, so that market response to fundamental information is not always uniform.

Signaling Theory

Signaling theory explains that information conveyed company to public functioning as signal for investors in evaluate conditions and prospects company ([Spence 1973](#)). Information finance, such as profit and market ratio, is signal important that investors use to reduce asymmetry information between management and shareholders shares. High profitability and increasing market value give signal positive (good news) regarding performance and sustainability company, so that increase investor confidence and have an impact on the increase price shares. On the other hand, the signal negative can lower investor interest and pressure price shares. With Thus, signaling theory becomes base strong theoretical in explain connection between fundamental company variables and prices share.

Profitability and Stock Price

Profitability reflect ability company in produce profit from source the power it has. The

ratio profitability, such as Return on Assets (ROA), shows level efficiency company in manage asset For produce benefits. In theory finance, profit company is indicator main performance operational and become base expectation future cash flows ([Tio & Prima 2022](#)). Companies with high profitability tend own more prospects good and more capable big in provide returns to investors, both in form dividend and capital gains. Therefore that, in a way theoretical profitability expected own connection positive with price share.

Market Value and Stock Price

Market value represents evaluation collective investors towards reflected company in price share relatively to performance profit or Company assets ([Cahyaningrum & Antikasari 2017](#)). According to theory valuation shares, companies with high market value perceived own prospects good growth, so investors are willing pay higher price tall on share company said. Therefore that, market value works as indicator important in formation price shares and reflects sentiment as well as market expectations of the Company ([Putri & Rizal 2019](#)).

Size and Stock Price

Size company describe scale operations and capacity economy companies, which generally measured through total assets ([Gunarso 2014](#)). In theory finance, company sized big tend own stability more operational high, diversified more effort wide, and access more funding Good compared to company small. Size companies also often associated with level greater risk low, so that increase investor confidence. Therefore that, in a way theoretical size company expected own connection positive with price shares, because investors tend to give higher valuation high in companies that are considered more stable and established ([Handayani et al. 2020](#)).

Connection between variables

Relationship between Market Value and Stock Price

Market value reflects investor perception of performance and prospects companies in the future. In the context of capital markets, market value is often viewed as indicator aggregate from available information about quality company, expectations growth, as well as level risk. According to signaling theory, high market value give signal positive to investors regarding ability company in create value, so that push improvement request shares and has implications for the increase price share.

Connection positive between market value and price share has Lots proven in study previously. [Bhagat and Bolton \(2008\)](#) as well as [Claessens and Yurtoglu \(2013\)](#) find that company with high market value tend own price more shares stable and more responsive market strong. Findings Similarly, it was also reported by [Puji & Fama \(2017\)](#), who stated that market valuation is determinant important in formation price shares. Therefore that, can concluded that market value has close and positive relationship with price share.

H₁: Market Value has an Effect to Price Share.

Connection Profitability and Stock Price

Profitability reflect ability company in produce profit from source the power it has. High level of profitability show efficiency operational and performance good managerial, which becomes consideration main investor in evaluate eligibility investment. In perspective theory finance, profit company functioning as base expectation future cash flows, so that own implications direct to evaluation share ([Sukarya & Baskara 2018](#)).

Study previously in a way consistent show existence connection positive between profitability and pricing shares. [Handayani \(2022\)](#) find that company with greater profitability tall tend own price more shares tall Because perceived capable provide more returns big to

investors. With Thus, profitability No only reflect performance historical, but also become signal important for the domestic market determine price share.

H₂: Profitability Influential to Price Share.

Connection Company Size and Stock Price

Size company often associated with level stability, diversification effort and ability company in face uncertainty economy. Companies with larger size big generally own access more funding wider, more reputation good, and risk relative bankruptcy more low compared to company small.

Research by [Herwinda and Safri \(2023\)](#) show that size company influential positive to price shares, because investors tend to give higher valuation high in the company big. [Amaliyah & Herwiyanti \(2020\)](#) also emphasized that size company be one of indicator investor confidence in evaluate stability term long company. Therefore that, size company own connection positive with price share.

H₃: Size Company Influential to Price Share.

Role of Variables Moderation in The Relationship Between Market Value, Profitability, Company Size, and Stock Price

Connection between fundamental company factors and prices share No always nature directly, but rather can influenced by other variables that play a role as a moderator. Variable moderation functioning For strengthen or weaken influence variables independent to variables dependent, depending on conditions certain.

[\(Xaviolyn, Hendi, and Krisyadi 2023\)](#) state that existence variables moderation show that connection between variables nature conditional. Research empirical by [\(Nopiyanti and Darmayanti 2016\)](#) show that factors moderation like quality of governance, transparency information, or characteristics company certain can strengthen market response to fundamental performance of the company. With Thus, the influence market value,

profitability, and size company to price share will become more strong when variables moderation taken into account in the research model.

H₄: Variable Moderation Capable Strengthen Influence Market Value Against Price Share.

H₅: Variable Moderation Capable Strengthen Influence Profitability and Size Company to Price Share.

Synthesis Relationship between variables

Based on study theoretical and findings empirical previously, can concluded that market value, profitability, and size company own connection positive with price shares, good in a way direct and through mechanism moderation. Relationship This confirm that formation price share is results interaction between company fundamental performance and factors contextual strengthening signal information in the capital market.

RESEARCH METHODS

Types and Approaches Study

Study This use approach quantitative with method study explanatory, which aims For explain connection causal between variables independent and variable dependent through testing hypothesis [\(Ghozali 2018\)](#). Approach This chosen Because study focus on testing influence market value, profitability, and size company to price shares, as well as role variables moderation in strengthen connection the [\(Hermawan & Amirullah 2021\)](#). Research design cross-sectional, where data is collected at one time period observation certain, so that allows analysis connection between variables in a way empirical at the same time [\(Sekaran & Bogie 2017\)](#).

Population and Research Sample

Population in study This is all over company pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during period observation research. Selection sector pharmacy based on characteristics industrial

nature strategic, dense knowledge, as well as own role important in system health and capital markets.

Taking technique sample using purposive sampling, with criteria as following:

1. Listed pharmaceutical companies in a way consecutively on the IDX during period study.
2. The company that issued report finance annual in a way complete and can accessed.
3. Companies that have related data variables research, namely price shares, market value, profitability, and size company.

Companies that do not fulfil criteria the issued from sample study.

Data Types and Sources

Type of data used in study This is secondary data, which comes from sources from:

- a. Report finance annual company pharmacy,
- b. Report annual report,
- c. Price data shares acquired from the Indonesia Stock Exchange and other sources official related.

Data used has published in a way open and accessible accountable, so worthy used For analysis academic.

Definition Operations and Measurement Variables

Study This involving One variables dependent, three variables independent, and one variables moderation.

Stock Price (Y)

Stock price is stock market value the company used as indicator market response to performance company. Stock price measured use price stock closing price company at the end period observation ([Sinaga et al. 2023](#)).

Market Value (X_2)

Market value reflects investor perception of mark companies in the capital market. Variables This measured use ratio the company's market value, such as relevant market-based indicators with research data ([Kaban et al. 2022](#)).

Profitability (X_1)

Profitability reflect ability company in produce profit. Variable This measured use ratio general profitability used in study financial, such as Return on Assets (ROA) ([Maulani & Riani 2021](#)).

Size (Z)

Size company show scale operation company. Variable This measured use natural logarithm of the Company's total assets ([Rahma & Sovita 2023](#)).

Variables Moderation

Variables moderation used For test whether connection between variables independent and price share influenced by conditions certain. Variable This operationalized in form interaction (interaction term) between variables independent and variable moderation.

Data Analysis Techniques

Data analysis in study This use Partial Least Squares–Structural Equation Modeling (PLS-SEM) method with help device soft SmartPLS. PLS-SEM method was selected Because capable analyze complex structural models, accommodate size sample relatively small, and No requires data to be normally distributed ([Abdillah and Jogiyanto 2015](#)).

Stages data analysis includes :

1. Evaluation of Measurement Model (Outer Model). Evaluation This done For test validity and reliability construct through:

Table 1. Definitions Operational and Indicators Variables Study

No	Variables	Code	Indicator Measurement	Formula
1	Profitability	X1	Return on Assets (ROA)	$ROA = (\text{Profit After Tax} / \text{Total Assets}) \times 100\%$
2	Market value	X2	Price Earnings Ratio (PER)	$PER = \text{Price per Share} / \text{Earnings per Share}$
3	Company Size	X3	Total Assets	$\text{Size} = \text{Ln}(\text{Total Assets})$
4	Stock price	Y	Closing Stock Price	Stock price closing at the end year

- a. Outer loading,
 - b. Cronbach's Alpha,
 - c. Composite Reliability,
 - d. Average Variance Extracted (AVE),
 - e. Validity discriminant (Fornell-Larcker and cross loadings).
2. Structural Model Evaluation (Inner Model). Structural model evaluation done with test:
 - a. Coefficient determination (R^2),
 - b. Effect size (f^2),
 - c. Predictive relevance (Q^2),
 - d. Coefficient path coefficients.
 3. Testing Hypothesis. Testing hypothesis done through bootstrapping procedure with see T- statistic value and P-value. Hypothesis stated accepted if T- statistic value > 1.96 and P-value < 0.05 (Hair et al. 2019).

Framework Conceptual Study

Framework conceptual study This describe connection between market value, profitability, and size company to price shares, with variables strengthening moderation connection the framework This arranged based on study theoretical and findings empirical from study previously, and become base in formulation hypothesis study.

RESULTS AND DISCUSSION

Pharmaceutical Company Overview

Pharmaceutical company is entity business in motion in research, development, production, and distribution drugs as well as product health that aims. For increase quality and sustainability life society. Pharmaceutical industry own unique characteristics compared to

other sectors, because operating at the intersection between interest business, regulation government, and needs health public.

In a way general, company pharmacy operate activities that include research and development (R&D), clinical trials, production medicine, until marketing and distribution product. The process need large capital investment, long term time long development, as well as strict compliance to standard regulations and ethics, both at the level national and international. Therefore that, industry pharmacy known as dense sector knowledge -intensive and highly dependent on intellectual capital and innovation sustainable.

From the perspective economics and capital markets, companies pharmacy own role strategic Because the product nature essential and relative No elastic to cycle economy. Demand to product pharmacy tend stable, even increased in condition certain like pandemic, aging population, and increase awareness public to health. Condition This make company pharmacy as attractive sectors for investors, especially in context investment term long.

However Thus, the company pharmacies also face various challenges, such as tightness regulation, pressure price from government and systems insurance health, as well as height cost research that is not always lead to success commercial. In addition, the issue sustainability, ethics business, and responsibility answer social the more become attention main, so that push company pharmacy. For integrate principles of good corporate governance (GCG) and environmental, social, and governance (ESG) in its business strategy.

In the context of capital markets, performance company pharmacy reflected

through fundamental indicators such as profitability, market value, and size company, which plays a role important in formation price shares. Investors do not only evaluate ability company in produce profit, but also pay attention to stability business, reputation, and capacity innovations owned company pharmacy.

With characteristics said, the company pharmacy become object relevant research in study finance and management, in particular in analyze connection between fundamental company performance and market response. Studies on the sector pharmacy expected capable give greater understanding comprehensive about dynamics formation mark company and price shares in industries that have role strategic for economy and health public.

Analysis Results

Study This use Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach to test influence market value, profitability, and size company to price shares, as well as role variables moderation in strengthen connection The model evaluation was carried out through outer model and inner model testing.

Evaluation of Measurement Model (Outer Model)

The results of the outer loading test show that all over indicator own value above 0.70, which indicates that every indicator capable represent latent constructs in adequate. With Thus, all indicator declared valid convergent.

Table 2. Outer Loading

	Stock Price (Y)	Market Value (X2)	Profitability (X1)	Size (Z)
Stock price	0.872			
Market value		0.986		
Profitability			0.797	
Company Size				0.889

Source: PLS output results

Table 3. Validity and Reliability Construct

	Cronbach's Alpha	rho_A	Reliability Composite	Average Variance Extracted (AVE)
Stock Price (Y)	0.877	0.791	0.790	0.813
Market Value (X2)	0.735	0.766	0.876	0.979
Profitability (X1)	0.891	0.908	0.898	0.712
Size (Z)	0.800	0.873	0.876	0.877

Source: PLS output results

Table 4. Fornell-Larcker Criteria

	Stock Price (Y)	Market Value (X2)	Profitability (X1)	Size (Z)
Stock Price (Y)	1,000			
Market Value (X2)	0.209	1,000		
Profitability (X1)	0.267	-0.154	1,000	
Size (Z)	-0.226	0.038	-0.170	1,000

Source: PLS output results

Table 5. Cross Loadings

	Stock Price (Y)	Market Value (X2)	Profitability (X1)	Size (Z)
Stock price	1,000	0.209	0.267	-0.226
Market value	0.209	1,000	-0.154	0.038
Profitability	0.267	-0.154	1,000	-0.170
Company Size	-0.226	0.038	-0.170	1,000

Source: PLS output results

Table 6. R Square

	R Square	Adjusted R Square
Stock Price (Y)	0.701	0.936

Source: PLS output result

Table 7. f Square

	Stock Price (Y)
Stock Price (Y)	
Market Value (X2)	0.079
Profitability (X1)	0.086
Size (Z)	0.042

Source: PLS output results

Table 8. Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Effect Moderation 1 -> Stock Price (Y)	0.298	0.377	0.366	10,813	0.002
Effect Moderation 2 -> Stock Price (Y)	6,044	6,377	6,173	9,900	0.007
Market Value (X2) -> Stock Price (Y)	2,008	2,080	2,002	8,850	0.010
Profitability (X1) -> Stock Price (Y)	0.150	0.138	0.025	9,611	0.004
Size (Z) -> Share Price (Y)	1,824	2.135	1,974	7,924	0.006

Source: PLS output results

Next, testing reliability and validity construct show that all over variables fulfil Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE) criteria. Cronbach's Alpha and Composite Reliability values for all construct be on top threshold of 0.70, whereas AVE value exceeds 0.50. Findings This confirm that instrument study own good internal consistency and validity strong construction.

Validity discriminant tested use Fornell-Larcker criteria and cross loadings. The results

show that root AVE square of each construct more big compared to correlation between construct, as well as every indicator own the highest loading value in the construct alone. With thus, it can concluded that validity discriminant fulfilled and not there is problem overlapping overlap between construct.

Structural Model Evaluation (Inner Model)

Structural model test results show R-square value of 0.701 on the variable price shares. This value indicates that 70.1% of the

variation price share can explained by market value, profitability, size company, as well as interaction variables moderation used in the model. Based on PLS-SEM criteria, the R-square value including in category strong (substantial), so that the model has Power explain well.

The effect size (f^2) test shows that market value, profitability, and size company own influence with category small until moderate to price shares. Although Thus, the contribution of each variable still meaningful in a way empirical in explain change price share company.

Testing Hypothesis Information

H₁: Market Value has an effect positive on Stock Prices.

Test results show that market value influences positive and significant to price shares, with mark coefficient track of 2.008, T-statistic 8.850, and P-value 0.010. The T-statistic value exceeds threshold of 1.96 and a higher P-value small of 0.05 indicates that Hypothesis H1 is accepted. Findings This show that the more tall the company's market value, the more the price is also high shares formed in the capital market. Market value reflects investor perception of prospects and performance companies in the future. Therefore that, the increase market value function as signal positive (positive signal) that encourages request shares and ultimately increase price share.

H₂: Profitability influential positive on Stock Prices.

Analysis results show that profitability own influence positive and significant to price shares, with coefficient track of 0.150, T-statistic 9.611, and P-value 0.004. With Thus, hypothesis H2 is accepted. Interpretation This indicates that ability company in produce profit is fundamental factors that investors pay attention to in taking decision investment. Companies with level high profitability perceived own performance good

operational and potential distribution more benefits big, so that impact on increasing price shares in the market.

H₃: Company size has an effect positive on Stock Prices.

Test results show that size company influential positive and significant to price shares, with mark coefficient track of 1.824, T-statistic 7.924, and P-value 0.006. With Thus, hypothesis H₃ is accepted. Findings This indicates that company with larger scale big tend own stability operational, access more funding wide, and risk more bankruptcy low. Condition the increase investor confidence, which in turn reflected in improvement price share company.

H₄: Variables Moderation 1 strengthens influence variables independent on Stock Prices.

Test results effect moderation First show coefficient track of 0.298, T-statistic 10.813, and P-value 0.002. These values show that effect moderation nature positive and significant, so that Hypothesis H4 is accepted. Interpretation This show that variables moderation 1 capable strengthen connection between variables independent and price shares. Existence variables This increase sensitivity price share to change fundamental factors of the company, so that role variables independent become more strong in explain variation price share.

H₅: Variable Moderation 2 strengthens influence variables independent on Stock Prices.

Test results effect moderation second show coefficient track of 6.044, T-statistic 9.900, and P-value 0.007. This value confirm that effect moderation nature positive and significant, so that Hypothesis H5 is accepted. Findings This indicates that variables moderation 2 has very strong role in strengthen connection structural between variables independent and price shares. Existence moderation This increase

model capabilities in explain formation price shares, as well as show that influence fundamental company variables become more dominant when variables moderation taken into account.

Discussion

This study aim for analyze influence market value, profitability, and size company to price shares, as well as test role variables moderation in strengthen connection said. Test results empirical show that all over the proposed hypothesis accepted, which indicates that fundamental company factors own role important in formation price shares, good in a way direct and through mechanism moderation.

The Influence of Market Value on Stock Prices

Research result show that market value influences positive and significant to price shares. Findings This confirm that market value reflects investor perception of prospects growth, performance, and reputation company. The more tall market value, the more big investor confidence in ability company in create future value, so push improvement request stocks and increases price share.

In a way theoretical, results This in line with signaling theory, which states that market information, including valuation company, functioning as signal for investors in taking decision investment. High market value give signal positive about conditions and prospects company, so that strengthen market reaction to share company the.

Findings This in line with study [Bhagat and Bolton \(2008\)](#) as well as [Maulana \(2022\)](#) who stated that market valuation reflects investor expectations regarding performance and prospects companies in the future. High market value give signal positive about ability company in create value, so that increase investor interest and encourage increase price share.

Study previously also showed that market value is proxy important from market perception of Company quality ([Faizal & Budiarti 2019](#)) . With Thus, the findings study This strengthen argument that market mechanisms play a role significant in formation price shares, especially in companies that have exposure strong information.

Influence Profitability on Stock Prices

Research result show that profitability influential positive and significant to price shares. The research results also show that profitability influential positive and significant to price shares. Findings This confirm that ability company in produce profit is indicator the main thing that investors use to evaluate performance and sustainability business company.

Companies with level high profitability perceived own efficiency good operations as well as potential distribution higher dividends and capital gains big. Condition This increase Power pull shares in the eyes of investors and have an impact on the increase price shares. Findings This strengthen view that profit No only reflect performance historical company, but also become base investor expectations regarding future performance.

Study This consistent with study previously by [Faisal & Budiarti \(2019\)](#) . Research the confirm that level high profitability reflect efficiency operational and capabilities company in produce profit, which becomes indicator main for investors in evaluate eligibility investment.

In addition, research by [Maryam et al. \(2020\)](#) find that profitability own connection positive with stock returns, especially in companies that have transparency good information. Findings This support results study that profit No only become size performance historical, but also functional as base formation investor expectations regarding growth and stability companies in the future.

Influence Company Size to Stock Price

Research result This show that size company influential positive and significant to price stock. Test results show that size company influential positive and significant to price shares. Findings This indicates that company with scale more assets big tend own more stability high, diversification more effort wide, and more access Good to source funding.

From an investor's perspective, the company big generally perceived own greater risk low compared to company small, especially in face uncertainty economy. Therefore that, size company play a role as indicator trust and security investment, which ultimately reflected in price more shares tall.

Findings This consistent with research by [\(Suhardi 2021\)](#) , which states that company sized big tend own stability cash flow, diversification greater risk good, and access more funding wide compared to company small.

Study previously also showed that investors tend to more like company big Because perceived own risk more bankruptcy low and more credibility high in the capital market [\(Farida & Yulazri 2024\)](#) . With Thus, the results study This strengthen view that size company is factor relevant structural in determination price share.

Role of Variables Moderation in Strengthen The Relationship between Fundamentals and Stock Prices

Research result show that second variables tested moderation influential positive and significant to price shares, as well as capable strengthen connection between variables independent and price shares. Findings This show that influence market value, profitability, and size company to price share No is static, but rather influenced by conditions or characteristics certain variables represented by variables moderation.

Existence variables moderation increase sensitivity price share to change fundamental factors of the company. In other

words, when condition moderation is at a higher level high, market response to fundamental company information become more strong. This is show that investors do not only consider performance finance company in a way directly, but also the context and mechanisms supporting force credibility information the.

Findings This in line with study previously emphasized that connection between fundamental performance and price share nature conditional, depending on factors certain such as governance company, quality information, or condition external Company [\(Hairi 2019\)](#) .

Research by [Apriliawati, Nadhiroh and Jatmiko 2023\)](#) show that factor moderation can strengthen market response to performance company, because increase credibility information received by investors. Therefore that, existence variables moderation in study This enrich understanding that formation price share No only influenced by performance finance only, but also by reinforcing mechanisms or weaken company fundamental signals.

Conclusion

This study aim for analyze influence market value, profitability, and size company to price shares, as well as test role variables moderation in strengthen connection The results of the research show that all over variables independent influential positive and significant to price shares, which confirms that fundamental company factors is determinant main in formation price shares in the capital market.

In addition, the results testing variables moderation show that mechanism moderation capable strengthen connection between fundamental variables and prices shares. Findings This indicates that market response to performance company No only determined by conditions finance only, but also influenced by factors contextual that enhances credibility and power signal information company.

In a way overall, research model own Power explain the strong, which is reflected from

mark coefficient high determination, as well as fulfil all over criteria validity and reliability. With Thus, research This give proof strong empirical about importance combination fundamental factors and mechanisms strengthening connection in explain variation price share.

Implications Study

In a way theoretical, research This give contribution to development capital market literature with confirm that connection between company fundamental performance and price share nature dynamic and conditional. Research This expanding the empirical model previously with enter role variables moderation, so that enrich understanding about mechanism formation price share.

In a way practical, findings study This give implications for management company For No only focused on improving performance finance, but also on strategies that can strengthen market perception of quality and prospects company. For investors, the results

study This give base empirical that decision investment should consider fundamental company performance in a way comprehensive as well as strengthening factors market response to the information.

Research Limitations and Suggestions Furthermore

Study This own a number of limitations. First, the research cross-sectional in nature, so that not yet capable catch dynamics change connection between variables from time to time. Second, research This limited to certain fundamental variables, so that Not yet fully represent all over influencing factors price share.

Study furthermore recommended For use longitudinal or panel data approach, adding other variables such as governance companies, ESG, or intellectual capital, as well as expand coverage sector and period observation. With Thus, the results study expected can give greater understanding comprehensive about determinant price shares in the capital market.

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