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Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 9 No. 1 (2024) 1-23 ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

The Influence of Growth Rate, Profitability, Liquidity, and Company Valuation on Stock Price

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ABSTRACT

This comprehensive study aims to determine how much growth rates, profitability, liquidity, and corporate valuation influence company stock prices listed on the LQ45 index for the 2019-2021 period. The data used in this study is secondary data. The research sample was meticulously selected using a purposive sampling technique so that 34 companies were obtained with 102 samples. The results showed that simultaneously all the variables used, namely: X1_Sustainability Growth Rate, X2_Return on Assets (ROA), X3: Quick Ratio (QR), X4_Price to Book Value (PBV), and X5: Price Earning Ratio (PER) have no effect which is significant to the dependent variable, namely stock prices. However, partially, it was found that the variable X3_Quick Ratio has a significant negative effect on stock prices. However, the other four variables do not significantly affect the dependent variable, namely stock prices. This may be due to this study's significant presence of confounding variables.

Keywords: Stock Price, Liquidity, Profitability, Growth Rate, Valuation.

ABSTRAK

Tujuan penelitian ini untuk mengetahui sejauh mana Pengaruh Tingkat Pertumbuhan, Profitabilitas, Likuiditas dan Valuasi Perusahaan Terhadap Harga Saham Perusahaan yang terdaftar pada Indeks LQ45 periode 2019-2021. Jenis data dalam penelitian ini menggunakan data sekunder. Sampel penelitian dipilih dengan menggunakan teknik purposive sampling Sehingga didapatkan sebanyak 34 perusahaan dengan total observasi yaitu sebanyak 102 sampel. Hasil penelitian menunjukkan bahwa secara simultan seluruh variabel yang digunakan yaitu: X1_Sustainability Growth Rate, X2_Return on Asset (ROA), X3: Quick Ratio (QR), X4_Price to Book Value (PBV) dan X5: Price Earning Ratio (PER) tidak memiliki pengaruh yang signifikan terhadap variabel dependen-nya yaitu Harga Saham. Namun secara parsial, ditemukan bahwa variabel X3_Quick Ratio memiliki pengaruh negatif signifikan terhadap harga saham. Namun, keempat variabel lainnya tidak memiliki pengaruh yang signifikan terhadap variabel dependen-nya yaitu Harga Saham. Hal ini mungkin disebabkan karena besarnya kehadiran variabel pengganggu dalam penelitian ini.

Kata Kunci: **Harga Saham, Likuiditas, Profitabilitas, Tingkat Pertumbuhan, Tingkat Valuasi**

ARTICLE INFO

***Article History*:**

Received: 31 March 2024

Accepted: 10 May 2024

Available online: 31 May 2024

Jurnal Riset Akuntansi dan Bisnis Airlangga Volume 9 No 1 (2024)

Introduction

The capital market has a significant role in encouraging the growth and stability of a company's financial system and is a crucial financial institution in a country's modern economy. The capital market is an alternative fundraising option for companies contributing to economic progress. The Indonesian Stock Exchange acts as a capital market organizer, facilitating meetings between investors and companies (Yusuf, B., & Al Arif, 2015)

Currently, the LQ45 Index is an index that shows positive performance and profitable growth for the companies listed in it. The LQ45 index comprises 45 leading companies with high valuations (Binekasri, 2023). Because it has a high level of liquidity, large market capitalization, and is supported by solid company fundamentals, this index attracts the interest of many capital market investors. As a result, investors are attracted to this index. The presence of many companies on LQ45 gives the public more investment choices in shares blue chips. The LQ45 index consists of 45 companies with a high level of liquidity and was selected based on several criteria, including significant liquidity and market capitalization.

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DOI: https://doi.org/10.20473/jraba.v9i1.56477

To be part of the LQ45 index, a company must be registered on the Indonesia Stock Exchange (BEI) for at least three months, carry out transactions on the regular market with high transaction value, volume, and frequency, and gradually become involved in trading on the regular market.

The following is the trading volume for the last three years on the LQ45 index, with volume values moving average at 23,593 billion.

Figure 1. LQ45 Index Trading Volume
Source: Investing.com, 2023

When investing in shares in the capital market, investors need to analyze the performance of public companies using relevant information. This information is a consideration for investors when buying shares through the capital market. If the company has a good performance report, it can likely increase its profits, positively impacting investor welfare (Siregar & Prabowo, 2021). Several methods that can be used to evaluate company performance include financial ratio analysis, which looks at growth rates, profitability, liquidity, and company valuation in which prospective investors will choose to invest. Continuous improvement in financial performance will lead the company towards sustainable growth(sustainability growth). This sustainable company growth rate will increase investor confidence in the company. Sustainable growth means the company can increase sales turnover and asset value without changing the pre-existing capital structure (Priyanto & Robiyanto, 2020). This research uses the signaling theory as the primary basis because the information provided through sustainable growth rate and sustainability reports (sustainability report) is a signal conveyed by the company to investors regarding the prospects and risks of the company's sustainable growth.

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ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

Providing information regarding financial and non-financial aspects can act as a signal for investors in the investment decision-making process. When a company gives a positive signal to the market, it tends to cause an increase in stock prices in response to investors. (Priyanto & Robiyanto, 2020). Information transparency and investor knowledge about the investment world are significant factors in the investment decision-making process. (Purnamaningrum, 2019). Investment decisions are also made to avoid losses that may arise due to the investment made (Dalilah & Hendrawan, 2021). Investment decision-making also aims to reduce risk mispricing (Afriani & Asma, 2019). In this way, investors can assess whether the price of the shares to be invested in is cheap, fair, or expensive so that they can make appropriate investment decisions. The intrinsic value of shares refers to the value the shares should have and reflects the company's future performance (Ain & Fadila, 2023).

Two approaches are commonly used to measure stock valuation levels: technical analysis and fundamental analysis (Hartono, 2017). Technical analysis focuses exclusively on stock price movements without considering the fundamental factors influencing them. On the other hand, the fundamental analysis aims to estimate the intrinsic value of a share based on the company's financial reports so that investors can evaluate share value objectively (Hartono, 2017). The stock price on the capital market does not always reflect the share's intrinsic value. Shares are considered cheap if their intrinsic value exceeds the market price. Shares are considered fair if their intrinsic value is the same as the market price. In addition, the stock valuation level is considered expensive if its intrinsic value is lower than the market price (Ain & Fadila, 2023).

One of the stock valuation methods used is the price-earning ratio (PER). PER compares stock prices with a company's earnings per share and reflects the market's view of a company's profit potential. PER is a model commonly used by investors in analyzing shares (Ain & Fadila, 2023) and is a benchmark for how the market assesses the performance of shares in a company. Apart from PER, other approaches are used to assess share valuation, namely Price to Book Value (PBV). PBV describes the relationship between market price and book value per share (Tandelilin, 2017). PBV is considered better when evaluating the shares of similar companies because it allows a clear comparison between the stock price and its actual value. Apart from that, the PBV value is also easier to assess a company's actual value because it is not affected by its cash flow. It is trendy among the public because it is easier to use when analyzing stock prices (Tandelilin, 2017).

One of the considerations that investors use as a fundamental calculation in determining company shares to invest in is the performance and health of a company. The better the company's performance, the higher the income and profits obtained by the company. The more a company's performance increases, the more public and investor confidence there is because it has a good reputation. As a result, the company's stock price also tends to increase. This attracts investors to invest their capital in the company, increasing stock prices (Ramadhan & Nursito, 2021)

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In this research, profitability ratios are used as financial indicators to show the impact of company performance. Profitability ratios are used to assess a company's ability to generate profitable returns from the investments made. If the company's conditions are considered favorable or promising potential profits in the future, investors will tend to invest and buy shares in the company (Ramadhan & Nursito, 2021). So this will encourage stock prices to rise even higher.

This research is based on several reasons; the first is information from the Indonesian Stock Exchange, which states that the LQ45 Index consists of 45 shares that have undergone a rigorous selection and selection process. This index only includes shares with high liquidity. It must meet the criteria set by the IDX, including market capitalization, liquidity, fundamental condition of the company, growth prospects, and other essential criteria. This research will evaluate whether companies that have consistently been part of the LQ45 index for three consecutive years, from 2019 to 2021, are the right choice for investors and the public. The LQ45 index assesses the price performance of 45 stocks with high liquidity levels and large market capitalization, supported by solid company fundamentals. This research will analyze whether these companies are worthy of choice for investors and the public who want to invest in the LQ45 Index by considering the ratios and variables explained in this research.

Meanwhile, the research results (Silalahi & Manik, 2019) found that the variable that more dominantly influences stock prices is the Return On Asset (ROA) or a company's profitability level. However, the results of this research are not in line with research conducted by Ardiyantoet al. (2020), who found inconsistent results where the results of their research showed that variablesReturn On Asset (ROA) does not have a significant impact on stock prices (Ramadhan & Nursito, 2021). However, Earning Per Share (EPS) and price to Book Value (PBV) have a significant influence on stock prices (Ardiyanto et al., 2020). However, Ain & Fadila's research (2023) stated that Price Earning to Ratio (PER) has a more accurate impact on stock price valuation when compared to other ratios. So, this shows that there are inconsistencies in research results on variables that are thought to influence stock prices and vice versa. So, it can be concluded that many factors need to be considered in evaluating and predicting stock price movements on the LQ-45 index because there are still many methods that can be used to evaluate stock prices, such as liquidity levels, growth rates, and company valuation (Ain & Fadila, 2023) and (Siregar & Prabowo, 2021).

Literature review

Signaling Theory

Signaling theory posits that the signaler possesses superior insider information that is not publicly known or has yet to reach the receiver. The quality of the signal is crucial. This theory suggests that the signaler conveys negative and positive information that can benefit the receiver. The signal may contain new information or complement the receiver's knowledge (Yasar et al., 2020). In this research, signaling theory is applied based on the premise that information conveyed through sustainable growth rates and sustainability reports serves as signals from companies to investors about the prospects and risks

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associated with the company's sustainable growth. This dissemination of financial and non-financial information serves as a signal to investors in their investment decision-making process. When a company sends positive signals to the market, it tends to increase stock prices as a response from investors. This theory underpins the research by highlighting the importance of transparency and investor knowledge in investment decision-making. It suggests that the signals companies send through their reporting can significantly influence investor behavior and stock market outcomes.

Sustainable Growth Rate

The emphasis on maximizing company sales growth is common among top management as it is believed to lead to increased market share and profitability. However, rapid growth may not always be financially advantageous, as it can potentially lead to bankruptcy due to strain on company resources and a decrease in future liquidity. Conversely, slow growth can disappoint stakeholders with specific expectations. Consequently, financial policies may vary depending on growth targets. The sustainable growth rate is advantageous as it integrates operational factors such as profit margins and asset efficiency with financial components like capital structure and retention rates into a single, comprehensive metric. Using the sustainable growth rate, managers and investors can evaluate whether future growth plans are realistically supported by current performance and policies (Pandit dan Tejani, 2011).

Profitability

Profitability refers to a company's capacity to generate income from its revenue, operating costs, and other expenses over a specific period. It evaluates the company's financial performance and efficiency in converting operations into profits. Profitability indicators, such as net profit margin, return on assets (ROA), and return on equity (ROE), offer stakeholders valuable insights into how effectively a company transforms its sales and investments into profits. High profitability signifies efficient resource management leading to a surplus, whereas low profitability may indicate inefficiencies or challenges in generating adequate income (Nunes et al., 2009).

In this article, profitability is utilized as a financial indicator to demonstrate the impact of a company's performance. The profitability ratio assesses the company's ability to generate profitable investment returns. If the company's condition is considered profitable or promising future profit potential, investors are likely to invest and purchase the company's shares. This, in turn, would encourage an increase in the stock price. This research measures profitability using the Return on Assets (ROA) indicator.

Liquidity

Liquidity refers to a company's ability to meet its short-term financial obligations as they come due. It also indicates how easily current assets can be converted into cash to fulfill these obligations. The liquidity ratio evaluates a

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ISSN 2548-1401 (Print) ISSN 2548-4346 (Online)

company's capacity to settle its short-term liabilities and debt obligations using short-term assets. A lack of liquidity, or illiquidity, signifies an unhealthy financial state. This ratio measures a company's ability to pay off short-term liabilities and the efficiency with which assets can be quickly and cost-effectively converted into cash (Kebede et al., 2024).

This article discusses liquidity in the context of its impact on stock prices. Liquidity is measured using the Quick Ratio (QR), calculated as (Cash + Cash Equivalents + Marketable Securities + Accounts Receivable) / Current Liabilities. The study found that the Quick Ratio has a significant negative effect on stock prices, indicating that a lower Quick Ratio, which implies limited liquidity availability to pay off short-term debts, can decrease investor confidence in the company's ability to meet its obligations and result in a decrease in stock prices.

Valuation

Valuation refers to the process of determining a company's overall economic value. This involves using various financial metrics and indicators to assess the company's performance and the value it generates for its shareholders. Key metrics used in company valuation include earnings per share, return on equity, return on investment, dividend yield, price-to-earnings ratio, price-to-book ratio, earnings yield, free cash flow, and economic value added. Among these, earnings yield is notably used as a measure of stock value, indicating how expensive a company's stock is relative to its earnings. This valuation process is crucial in corporate decision-making and stakeholder management, providing valuable insights into the company's financial health and potential growth (Jitmaneeroj, 2024). Two common approaches to measuring stock valuation levels are technical analysis and fundamental analysis. Technical analysis focuses exclusively on stock price movements without considering the fundamental factors influencing them. In contrast, fundamental analysis aims to estimate the intrinsic value of a share based on the company's financial reports, allowing investors to evaluate share value objectively. The Price Book Value (PBV) and Price Earning Ratio (PER) are two leading indicators used in company valuation. PBV represents the relationship between the market price and the book value per share, allowing for a clear comparison between the stock price and its actual value (Ain & Fadila, 2023). PER compares the stock price with the company's earnings per share, reflecting the market's view on the company's profit potential. Valuation metrics serve as signals to investors regarding a company's financial health, growth prospects, and overall value. For instance, a high PER indicates that investors expect higher future earnings, potentially leading to increased stock prices. Conversely, a low PER may signal lower earnings growth expectations, which could depress the stock price (Jitmaneeroj, 2024).

In this article, Company Valuation refers to the assessment of a company's market value, which is measured using two leading indicators: Price to Book Value (PBV) and Price Earning Ratio (PER) (Ain & Fadila, 2023). PBV represents the relationship between the market price and the book value per share, allowing for a clear comparison between the stock price and its actual value. It is considered better for valuing similar companies because a company's cash flow

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does not influence it, and it is famous for analyzing stock prices due to its ease of use. On the other hand, PER compares the stock price with the company's earnings per share, reflecting the market's view on the company's profit potential. It is a commonly used model by investors to analyze stocks and serves as a benchmark for how the market values a stock's performance within a company.

Stock Price

Stock price refers to the cost at which a particular share of stock is traded on the market. It reflects the company's current value as perceived by investors. It can fluctuate widely based on various factors, including market demand, investor sentiment, and overall economic conditions. The prediction of stock prices is a complex task due to their volatile nature, and various research efforts have been made to forecast stock prices using different methodologies, including time series decomposition, machine learning, and deep learning algorithms (Phuoc et al*.,* 2024). In this article, "Stock Price" is defined as the market price of a company's shares, taken explicitly from each company's closing market price at the year's end for the research sample years 2019 - 2021 (). This definition underscores the importance of stock prices as a reflection of the market's valuation of a company at a specific time, serving as a critical measure for the research's analysis of the impact of growth rates, profitability, liquidity, and corporate valuation on these prices.

Hypothesis Development

Sustainable Growth Rate and Stock Prices

Company growth can indicate the company's health and prospects, directly impacting investors' perceptions of the stock's intrinsic value. For instance, consistent growth in revenue or earnings may reflect solid operational performance and bolster investor confidence, thereby driving upward movement in stock prices. The growth rate can also affect the company's future cash flows, illustrating the company's ability to generate value for shareholders. In this context, robust growth may indicate higher dividend potential or better investment opportunities, contributing to investors' stock valuation. Additionally, sustained and stable growth can mitigate investment risk, reinforcing the argument that companies with higher growth rates tend to command higher stock prices (Madbouly, 2022).

The importance of the Sustainable Growth Rate (SGR) in the context of sustainability and a company's success cannot be underestimated. In today's competitive business environment, many large companies face bankruptcy due to inadequate financial planning, highlighting the crucial role of SGR for long-term survival and value creation. SGR reflects a company's ability to grow and expand while maintaining necessary funding sources. It also serves as a primary focus for company managers to ensure that the company can sustain and improve its performance without falling into financial troubles (Madbouly, 2022). Research indicates that companies that overlook growth aspects or capabilities fail to achieve sustainable long-term growth. This underscores the importance for company managers to simultaneously focus on growth strategies and the

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company's growth capacity (Teng et al., 2021). Furthermore, the concept of company growth has become increasingly important in recent years as a result of efficient company performance. Currently, the primary focus is on how much growth a company can achieve, as this reflects how efficiently the company utilizes available resources and how effective the company is in decision-making processes and proper financial planning.

In this context, achieving the desired SGR becomes the main goal for every company manager. However, achieving the desired SGR is difficult in today's fierce competition and rapidly changing economic and political environment. Companies may need to invest more equity capital or increase their financial leverage to tackle significant challenges. This demands a strategic and measured approach to managing growth, ensuring that the growth is not only sustainable but also beneficial for shareholders and investors. Research has shown a positive relationship between SGR and the company's financial performance, which can enhance the company's value and attract more investors, potentially increasing the stock price (Priyanto & Robiyanto, 2020). Additionally, debt and asset management, Return on Assets (ROA), Return on Equity (ROE), liquidity ratios, and cash flow ratios are essential factors influencing SGR and indirectly affecting the company's stock price. Effective management of these indicators can help companies achieve optimal SGR, which not only boosts investor confidence but also strengthens the company's market position, ultimately contributing to an increase in the stock price. Therefore, companies must understand and implement strategies to achieve and maintain optimal SGR. This includes wise investments in income-generating assets, efficient debt management, and healthy financial ratios. Companies can ensure sustainable growth and enhance shareholder value through this approach. Therefore, this research formulates the first hypothesis:

H_1: The Company's Growth Rate Has a Significant Effect On Stock Prices

Profitability and Stock Prices

Profitability is a fundamental determinant of stock prices, reflecting a company's ability to generate earnings. The relationship between profitability and stock prices can be hypothesized based on the premise that higher profitability indicates a more robust financial health and future earning potential of a company, attracting investors and increasing stock prices. This hypothesis is grounded in the notion that investors are more likely to invest in companies with strong financial performance, as indicated by higher profitability. This increased demand for the company's stock drives up its price. Additionally, companies with a history of sustained profitability are perceived as less risky and more reliable investments. This perception of lower risk and more excellent reliability can increase investor confidence, positively influencing stock prices. The persistence of profitability signals to investors that the company has a competitive advantage and a robust business model that consistently generates profits over time, making it an attractive investment option (Alaagam, 2019; Ain & Fadila, 2023).

Based on the findings that the persistence of profitability among companies depends on their specific characteristics and market conditions, it can be hypothesized that companies with a history of sustained profitability are

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perceived as less risky and more reliable investments. This perception of lower risk and more excellent reliability can increase investor confidence, positively influencing stock prices. The persistence of profitability signals to investors that the company has a competitive advantage and robust business model that allows it to consistently generate profits over time, making it an attractive investment option. In summary, the development of these hypotheses is rooted in the understanding that profitability is a critical factor influencing stock prices, with the persistence of profitability and company size playing significant roles in this relationship (Nunes et al., 2009). Therefore, this research formulates the second hypothesis:

H2: Profitability has a significant effect on company share prices.

Liquidity And Stock Prices

The relationship between liquidity and stock prices has been studied in financial research. Liquidity, often measured by ratios such as the Quick Ratio, can significantly impact stock prices. A lower Quick Ratio indicates that a company has limited liquidity to pay off its short-term liabilities, which can decrease investor confidence in its ability to meet its obligations. This decrease in confidence can lead to a decline in stock prices. Specifically, research has found that the Quick Ratio significantly negatively affects stock prices, suggesting that lower liquidity levels are associated with lower stock prices (Brennan & Tamarowski, 2000).

The relationship between liquidity and stock prices can be elucidated through Signalling Theory, which underscores the significance of information companies convey to investors through various financial and non-financial indicators. Within this context, the Quick Ratio (QR), as a measure of liquidity, functions as a signal to the market regarding the company's ability to meet its short-term obligations with liquid assets that can be quickly converted into cash. Research indicates a significant negative impact of the Quick Ratio on stock prices, implying that the market may interpret lower liquidity levels (indicated by a lower Quick Ratio) as a negative signal (Ain & Fadila, 2023; Siregar & Prabowo, 2021). This signal can undermine investor confidence in the company's ability to fulfill its short-term obligations, ultimately leading to a decrease in the company's stock price. In the framework of Signalling Theory, information about the company's liquidity (as measured by the Quick Ratio) becomes crucial for investors in their investment decision-making process. Investors tend to respond to signals the company provides regarding its financial condition. In this case, a low Quick Ratio can be interpreted as a signal of higher risk, potentially resulting in a company's stock price decline. Therefore, the relationship between liquidity and stock prices, mainly through the Quick Ratio, can be seen as an application of Signalling Theory, wherein companies convey essential information to the market that can influence risk perceptions and the company's value in the eyes of investors (Ain & Fadila, 2023; Siregar & Prabowo, 2021). Therefore, this research formulates the third hypothesis:

H3: Company liquidity has a significant effect on Stock Prices.

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Valuation And Stock Prices

As described above, the relationship between valuation and stock prices illustrates how valuation metrics serve as signals to investors regarding a company's financial health, growth prospects, and overall value. Signaling Theory suggests that companies convey value and prospects to investors through these metrics, influencing investor perceptions and stock prices. For instance, the Price to Earnings Ratio (PER) signals expected future earnings growth. A high PER indicates that investors expect higher future earnings, potentially leading to increased stock prices, as investors are willing to pay a premium for anticipated growth. Conversely, a low PER may signal lower earnings growth expectations, which could depress the stock price, as investors may perceive the company as less valuable (Thinh et al*.,* 2023).

Similarly, the price-to-book value (PBV) ratio signals a company's underlying value. A PBV of less than one might indicate that the stock is undervalued, attracting investors and potentially driving up the stock price. However, a high PBV does not necessarily guarantee a high stock price, as it also depends on factors such as company performance and growth prospects. Nonetheless, PBV signals investors about the company's intrinsic worth, influencing their investment decisions and stock prices. Previous research has not produced consistent findings regarding growth, profitability, liquidity, and company valuation of company share prices. For example, research by Thinhet al. (2023) found that the level of company valuation, which was measured using PBV (Price-to-Book Value) and EPS (Earnings per Share), have different impacts on share prices. The EPS value positively impacts share prices, while the book value per share has a negative impact. This finding is in line with previous research conducted by Chandrapala (2013), Camodecaet al. (2014), Elbakryet al. (2017), Onaliet al. (2017), Maigoshiet al. (2018), and Barthet al. (2021). Therefore, this research formulates the fourth and fifth hypotheses:

H4: Price to Book Value (PBV) significantly affects Stock Prices.

H5: Price Earning Ratio has a significant effect on Stock Prices.

Based on the explanation regarding the background above, they were accompanied by differences in results between previous studies and issues related to the current LQ45 index. So, the researcher will conduct a study titled "The Influence of Growth Rate, Profitability, Liquidity, and Company Valuation Level (as measured using PBV and PER) on Stock prices." So, the conceptual framework of this research can be concluded as follows:

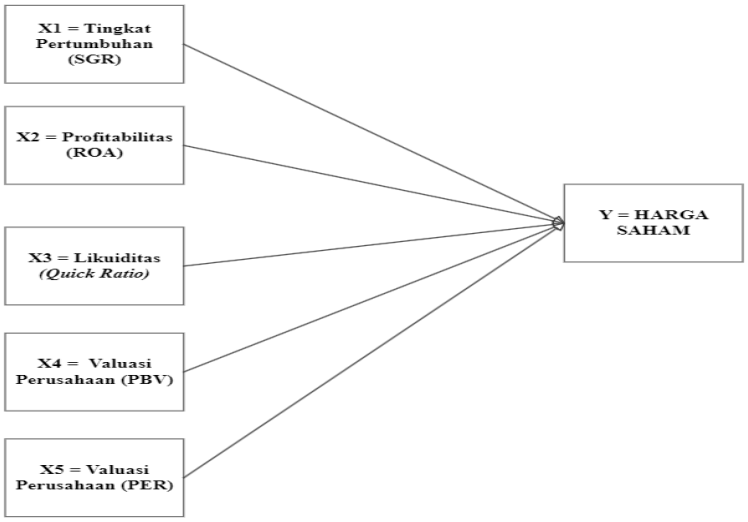

Figure 2. Conceptual Framework
Source: Processed Data, 2023

Research Methods

This research uses secondary data in the form of quantitative information for all research variables. This secondary data was obtained from the financial reports of companies listed on the Indonesia Stock Exchange (BEI) during the 2019-2021 period and has met the specified research criteria. This research will evaluate companies that are consistently in the LQ45 Index during the 2019-2021 period and have all the variables selected by the researcher, namely (Sustainability et al. to Book Value, Price Earning to Ratio, Return On Asset, Quick Ratio, and Company share price). The steps and criteria for selecting samples in this research are as follows: (1) Selecting companies listed on the LQ45 Index during the 2019-2021 period; (2) Select companies that have issued audited financial reports during the 2019-2021 period; (3) Select a company that has consistently been in the LQ45 Index for three consecutive years, namely the 2019-2021 period and has a stable share price value; (4) All companies in the LQ 45 index except companies in the Finance and Banking sector with a period of 3 consecutive years are in the LQ45 index. So, 34 companies were selected as samples for this research, which would be observed for three consecutive years with 102 observations.

This research aims to determine the effect of growth rate, profitability, liquidity, and company valuation level on share prices on the LQ45 Index. Below is an explanation for the measurement of each variable:

Variable X1 is measured using the Sustainability Growth Rate, which is generated using the following formula: SGR = return on equity x retention rate

Variable X2 is measured using Return on Asset (ROA), which is produced using the following formula: LENGTH = (Net Profit / Total Assets) x 100

Variable X3 is measured using Quick Ratio (QR), generated using the following formula: Quick Ratio = (Cash + Cash Equivalents + Marketable Securities + Accounts Receivable) / Current Liabilities.

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Variables X4 and X5 are measured using price-to-book value (PBV) and Price Earning Ratio (PER), which are generated using the following formula:
X4_PBV =Company Share Price / Book Value Per Share
X5_PER = Company Share Price / Earnings Per Share
Variable Y is the company share price taken from the closed market price of each company at the closing price at the end of the research sample year 2019 - 2021.

Data Analysis Method

A multiple linear regression model is used in this research to determine how the independent and dependent variables interact. The classical assumption test is used to get good linear regression results. These tests include the following: Ghozali (2016):

1) Data were tested for normality using the Kolmogorov-Smirnov test. A good regression model has data with a standard or close to a normal distribution, and the significance level is more significant than 0.05.
2) The multicollinearity test aims to test whether, in the regression model, a correlation is found between the independent variables. The tolerance value or variation inflation factor (VIF) can be used to determine whether multicollinearity symptoms exist. If the tolerance is more than 10% or the VIF is less than 10%, then there are no symptoms of multicollinearity.
3) The Durbin-Watson method (Dw Test) is used in the autocorrelation test to determine whether or not there is a correlation between the confounding error in period t and the error in period t-1 in the linear regression model.
4) The heteroscedasticity test determines whether the regression model has unequal variation between residuals from one observation to another. This method regresses the independent variables' residual absolute value (AbUt). Heteroscedasticity occurs if no independent variables significantly influence the absolute residual (Ghozali, 2011).

Furthermore, the multiple linear regression analysis method used the following formula model to achieve the research objectives.

$$Y = a + b1SGR + b2ROA + b3QR + b4PBV + b5FOR + e \quad (1)$$

Information:
a: Constanta
Y: Stock Price
XI: Sustainability Growth Rate
X2: Return on Asset (ROA)
X3: Quick Ratio (QR)
X4: Price to Book Value (PBV)
X5: Price Earning Ratio (PER)
e: Interference error rate (error)

The entire SPSS Version 26.0 software program was used for Windows to complete this data analysis.

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Feasibility Test Model

Ghozali (2016) stated that Goodness of Fit can be used to measure the accuracy of the sample regression function in estimating actual values. The coefficient of determination value, F statistical value, and t statistical value can be used to calculate this value. The statistical test value is in the critical area (area 11, where Ho is rejected), and the statistical calculation is considered statistically significant. The statistical calculation is considered insignificant if the test value is in the area where Ho is accepted. The following tests can be used to measure the feasibility of the model.

1) The F test is carried out to determine whether the regression model is appropriate. This was done by looking at the significant F value in the output of the regression results using SPSS Version 20 with a significance level of 0.05 (α=5%).
2) To show how significant the influence of one independent variable is, a statistical t-test is carried out. This is done by looking at the t-significance value of each variable in the regression output using SPSS version 20, with a significance level of 0.05 (α=5%).
3) (R2) Coefficient of determination (R2) is a measure that describes how well the model can explain variations in the dependent variable. The coefficient of determination ranges from zero to one.

Result and Discussion

Classic Assumption Test Results

Normality test

Table 1. Kolmogorov-Smirnov Test

Model	*Criteria*	*Asymp Sig. (2 Tailed)*	Information
Unstandardized Residual	P > α (0.05)	0,200	Normally Distributed Residuals

Source: Processed Data, 2023

After carrying out the normality test in the table, one obtained the results that the modelUnstandardized Residual in this study has been generally distributed due to the valueAsymp Sig 2 tailed > 0.05 or greater than 5%, namely 0.200. Then, the data has passed the normality test, and the classical assumption test can be carried out further.

Multicollinearity Test

This analysis assesses multicollinearity using the Variance Inflation Factor (VIF). A VIF value below ten is considered acceptable, indicating the absence of multicollinearity. As shown in Table 2, the VIF values for all independent variables are below 10, leading to the conclusion that there is no multicollinearity among the independent variables in the regression model employed in this research.

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Table 2. Multicollinearity Test Results

Model	*Collinearity Statistics*		Information
Stock_Price	*Tolerance*	VIF	
XI: *Sustainability Growth Rate*	0,243	4.116	Multicollinearity does not occur
X2: *Return on Asset (ROA)*	0,313	3.194	Multicollinearity does not occur
X3: *Quick Ratio* (QR)	0,692	1.445	Multicollinearity does not occur
X4: *Price to Book Value (PBV)*	0,369	2.706	Multicollinearity does not occur
X5: *Price Earning Ratio (PER)*	0,914	1.095	Multicollinearity does not occur

Source: Processed Data, 2023

Heteroscedasticity Test

The heteroscedasticity test can be conducted using the Glejser test. This involves regressing the independent variables on the absolute values of their residuals. The results are interpreted using the t-table; if the significance value (sig) is more significant than 0.05, the model is considered free from heteroscedasticity.

Table 3. Heteroscedasticity Test Results

Variable	t	significance
XI: *Sustainability Growth Rate*	-.238	.813
X2:*Return on Asset (ROA)*	-1.116	.268
X3: *Quick Ratio* (QR)	1.189	.238
X4:*Price to Book Value (PBV)*	.736	.464
X5:*Price Earning Ratio (PER)*	-1.177	.243

Source: Processed Data, 2023

The results of the heteroscedasticity test are based on said Glejser, which can be seen in Table 3. The results show that the value of the independent variable sustainable Growth Rate, X2_Return on Asset (ROA), X3: Quick Ratio (QR), X4_Price to Book Value (PBV), and X5: Price Earning Ratio (PER) has a significance value greater than 0.05 or 5%, because the four independent variables have value absolute residual > 0.05. Therefore, all independent variables in this study do not have heteroscedasticity.

Autorcorrelation Test

The autocorrelation test can be carried out using the Durbin Watson (DW) test (Suganda & Trisilia, 2017). According to Santoso (2012), there is no autocorrelation if the DW value is between -2 and +2. The following are the results of the autocorrelation test in this study.

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Table 4. Autocorrelation Test Results

Dependent	*Durbin-Watson*	N	K'/X	dL	of	Information
Share Price	1,379	102	5	1.5762	1.7813	There is no positive autocorrelation.

Source: Processed Data, 2023

The results of the autocorrelation test in Table 4 show that the DW value for the dependent variable, namely share price, using five independent variables, is 1.379 with a significance level of 5%. This study has no autocorrelation where the DW value is between -2 and +2. In other words, there is no correlation between confounding errors in period t and confounding errors in the previous period. Therefore, it can be concluded that the regression model in this study is free from autocorrelation.

Table 5. Multiple Linear Regression Model Analysis

Model	*Unstandardized Coefficients*	
	B	*Std. Error*
(Constant)	4.432	.803
XI: *Sustainability Growth Rate*	-.549	.307
X2:*Return on Asset (ROA)*	.180	.264
X3: *Quick Ratio* (QR)	-.277	.131
X4:*Price to Book Value (PBV)*	.355	.417
X5:*Price Earning Ratio (PER)*	-.587	.405

Source: Processed Data, 2023

Based on Table 5, the regression model formed in this research is as follows.

Y= 4.432 – 0.549 (Sustainability Growth Rate) + 0,180 (LONG)– 0,277 (Quick Ratio) + 0,355 (PBV) –0,587 (PER).

An explanation of the multiple linear regression equation in the following regression model is as follows. The constant value α of 4.432 means that if all independent variables in this study = 0, then the Company Share Price on the LQ45 Index has a value of 4.432. The regression coefficient value of the sustainable growth rate is (0.549), which states that every 1% increase in sustainability growth rate on the LQ45 Index will reduce share prices by 0.549 or 54.9%. The regression coefficient value is 0.180, which states that every 1% increase in ROA will increase the share price by 18%. The regression coefficient value ratio (0.277) states that every 1% increase ratio will reduce the share price by 27.7%. The regression coefficient value of 0.355 states that for every 1% increase, the share price will increase by 35.5%. The regression coefficient value is (0.587), which states that for every 1% increasePER, this will reduce share prices by 58.7% on the LQ45 Index.

Hypothesis Test Results

Table 6. F Test Statistics

Model	*df*	*Mean Square*	*F*	*Say.*
Regression	5	2.259	2.161	.066[b]
Residual	86	1.046		
Total	91			

Source: Processed Data, 2023

The testing criteria in this research use a significance level of 5%; if the significance value is <0.05, there is a significant influence between all independent variables (simultaneously) on the dependent variable. In Table 6, the model feasibility test (F test) has a significance value of 0.06, which is above 0.05, so it can be concluded that the variable X1_Sustainability Growth Rate, X2_Return on Asset (ROA), X3: Quick Ratio (QR), X4_Price to Book Value (PBV) dan X5: Price Earning Ratio (PER) In this research, it simultaneously does not have a significant influence on the dependent variable, namely share prices.

Table 7. Determination Coefficient Test (TestAdjusted R2)

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.334a	.112	.060	1.02252

Source: Processed Data, 2023

With the coefficient of determination test results, the results in Table 7 measure the extent to which this research model can measure the percentage size of the influence of the independent variable on the dependent variable. Table 7 shows the value results. Adjusted R Square is worth 0.060 or 6% only. This shows that the independent variables used in this research only have an influence of 6% on the dependent variable, namely Stock Prices. The remainder is influenced and predicted by other independent variables not included in the research model.

Table 8.T Test Results Statistics

Model	*t*	*Significance*
(Constant)	5.521	.000
XI: *Sustainability Growth Rate*	-1.786	.078
X2:*Return on Asset (ROA)*	.682	.497
X3: *Quick Ratio* (QR)	-2.119	.037
X4: *Price to Book Value (PBV)*	.851	.397
X5:*Price Earning Ratio (PER)*	-1.448	.151

Source: Processed Data, 2023

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Based on the results of the statistical tests that were carried out, the significance value obtained by variable XI: Sustainability Growth Rate is 0.078 > 0.05. With this, the conclusion is that H1 is rejected, which means it is variable. The sustainability Growth Rate does not have a significant effect on share prices. The results of this study cannot prove the signaling theory as the theory used in this research. Because it is getting higher higherSustainability Growth Rate, it is unable to increase the company's share price on the LQ45 index; this may be due to differences in views regarding the types of growth rates in companies, which can be differentiated based on financial capabilities, which include the growth rate on one's strength (internal growth rate) and sustainable growth rate (sustainable growth rate). The internal growth rate is the maximum growth rate that a company can achieve without requiring external funds, or in other words, a growth rate that only depends on additional profits generated by the company (Detiana, 2011). This research is in line with Detiana (2011) and (Febrianiet al. 2022) that the company's growth rate cannot have a good influence on stock prices or returns. This may also be caused by investors in Indonesia who prefer to get more dividends than to see a company's sustainable growth; therefore, the company has a sustainable growth rate. The high value does not determine the high or low price of the Company's shares.

Based on the results of the statistical tests that were carried out, the significance value obtained by variable X2: Return on Asset (ROA) is 0.49 > 0.05. With this, the conclusion is that H2 is rejected, which means the ROA variable does not significantly influence share prices. The results of this study cannot prove the signaling theory as the theory used in this research. Because the ROA value is higher, it turns out that it cannot increase the company's share price on the LQ45 index. This indicates that companies with high or low ROA do not definitively have high or low share prices. In this context, a good or increasing ROA has no potential to attract investor interest. This finding aligns with research by Ardiyantoet al. (2020), who also concluded that ROA does not significantly affect share prices. However, the findings of this research differ from those of Cahyaningrum and Antikasari (2017), which found that return on equity (ROA) has a significant influence on share prices.

Based on the results of statistical tests that have been carried out, the significance value obtained by variable X3: Quick Ratio (QR)) is 0.037 < 0.05, with a value of t = (2.119). With this, we can conclude that H3 is accepted, which means it is variable. The quick ratio has a significant negative influence on stock prices. The results of this research can prove that this statistical theory is the theory used in this research. These results align with research conducted by (Amanahet al. 2014), which shows a significant negative influence between the Ratio and the closing stock price, with a calculated t value more significant than the t table. These results support the research hypothesis that the quick Ratio significantly influences the closing stock price. However, previous research by Clara (2013) found that the quick Ratio has a significant favorable influence on stock prices. LevelQuick Ratio A high level indicates good short-term financial performance because the company can pay its obligations using cash, marketable securities, and receivables. Besides that, the Quick Ratio only considers inventory

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reductions and pays less attention to when the company needs to convert receivables into cash. Receivables cannot always be collected easily or take time. Therefore, these things explain why the quick Ratio has a negative and significant influence on closing stock prices (Amanahet al., 2014).

Based on the results of the statistical tests that were carried out, the significance value obtained by variable X4: Price to Book Value (PBV) is 0.39 > 0.05. With this, the conclusion is that H4 is rejected, which means it is variable, and the PBV does not significantly influence share prices. The results of this study cannot prove the signaling theory as the theory used in this research. The results of this research are not in line with research conducted by (Ardiyantoet al., 2020), which shows that Price to Book Value (PBV) influences share prices. However, it should be noted that shares with a high PBV value do not always indicate that the share price is also high. The reason is that there is a possibility that the company has good prospects and performance, as well as a well-known brand. Thus, PBV cannot be the only indicator to assess share value. This research also supports Putri's (2018) research, which states that price-to-book value (PBV) does not significantly affect stock prices.

Based on the results of the statistical tests that were carried out, the significance value obtained by variable X5: Price Earning Ratio (PER) is 0.15 > 0.05. With this, the conclusion is that H5 is rejected, which means it is variable and does not significantly influence share prices. The results of this study cannot prove the signaling theory as the theory used in this research. This research is not in line with research conducted by Mujati & Dzulqodah (2016), which found that there was a significant positive relationship between price Earning Ratio (PER) and share prices. However, this research aligns with (Amanda et al., 2013), which found that PER does not influence stock prices. This happens because changes in the PER value tend not to impact changes in share prices. In addition, the complexity of determining stock prices is influenced by many factors, including company financial performance, market conditions, growth perspectives, investor sentiment, and macroeconomic factors. Therefore, the PER value alone may not be enough to explain very complex stock price variations.

Conclusion

From the results of research conducted regarding the Influence of Growth Rates, Profitability, Liquidity, and Company Valuation on Company Share Prices conducted on the LQ45 Index for the period 2019 - 2021, it was found that simultaneously, all the variables used were Sustainability Growth Rate, X2_Return on Asset (ROA), X3: Quick Ratio (QR), X4_Price to Book Value (PBV) dan X5:Price Earning Ratio (PER) does not have a significant influence on the dependent variable, namely share prices. However, partially, the 3rd hypothesis was accepted; it was found that the variable Quick Ratio has a significant negative influence on stock prices. The results of this research can prove that this statistical theory is the theory used in this research. This research implies that the VariableQuick Ratio significantly influences stock prices. Quick Ratio measures a company's ability to meet its short-term obligations with liquid assets that can be immediately cashed. If the Quick Ratio is low, the company has

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limited liquidity to pay its short-term debt. This can reduce investor confidence in the company's ability to fulfill its obligations and result in a decline in share prices. Therefore, this study's Variable X3: Quick Ratio (QR) significantly negatively influences stock prices.

However, partially, the other four variables, Sustainability Growth Rate, X2_Return on Asset (ROA), X4_Price to Book Value (PBV), and X5: Price Earning Ratio (PER), do not have a significant influence on the dependent variable, namely share prices. The results of this study cannot prove the signaling theory as the theory used in this research. This may be due to the significant presence of confounding variables (confounding variables) in this research. So there is a possibility that confounding variables or factors that are not observed or not included in the research can influence the relationship between Growth Rate, X2_Return on Asset (ROA), X4_Price to Book Value (PBV), and X5: Price Earning Ratio (PER) to share prices. The high level of confounding variables allegedly caused the influence of the four variables to be insignificant in the study.

Limitation

The limitations of this research are primarily centered around the presence of confounding variables that were not observed or included in the study. These unaccounted factors could potentially influence the relationship between the Sustainability Growth Rate, Return on Asset (ROA), Price to Book Value (PBV), and Price Earning Ratio (PER) with stock prices. The significant presence of these confounding variables suggests that the impact of the four variables on stock prices might not be significant in this study. Additionally, the research methodology, particularly the reliance on multiple linear regression and the classical assumption tests, might not fully capture the complexities of the stock market and the myriad factors that influence stock prices. Future research could benefit from incorporating a broader set of variables and employing more sophisticated analytical techniques to better understand the dynamics at play.

Suggestions

Suggestions for future research include adding more relevant variables, focusing on financial ratios, and using them. External factors, such as overall market conditions or macroeconomic factors, can substantially influence share prices. Apart from that, you can also increase the use of variable control, which can influence the company's share price so that disturbing variables in further research can be minimized and the research becomes more relevant and significant.

Implication

The implications of this research are multifaceted, impacting both theoretical understanding and practical applications in finance and investment. Firstly, the findings contribute to the ongoing academic debate regarding the determinants of stock prices, offering empirical evidence that challenges the signaling theory's applicability in explaining stock price movements within the

context of the LQ45 index companies during the 2019-2021 period. This suggests a need for further theoretical development and exploration of alternative frameworks that might more accurately capture the dynamics of stock prices in emerging markets.

From a practical standpoint, the research provides valuable insights for investors and financial analysts by highlighting the limited influence of traditional financial ratios such as PBV and PER on stock prices in specific contexts. This underscores the importance of considering a broader set of financial and non-financial factors, including liquidity measures and external macroeconomic conditions, when making investment decisions. The significant negative impact of liquidity (Quick Ratio) on stock prices, in particular, suggests that investors may need to reassess the weight they place on liquidity metrics when evaluating investment opportunities.

Furthermore, the recommendation for future research to include more relevant variables and external factors, such as overall market conditions and macroeconomic factors, implies that investment strategies should also be adaptive and consider broader economic indicators. This could lead to developing more robust investment models and strategies that can better withstand market volatilities and uncertainties. Overall, this research enriches the academic literature by providing new empirical evidence and suggests practical adjustments in investment analysis and decision-making processes to better align with the realities of the stock market.

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