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The Influence of Internal Factors on Stock Prices: Cross-Sector Empirical Evidence in the Indonesian Capital Market

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ABSTRACT

This study aims to examine the effect of internal factors on stock prices in the Indonesian capital market. The problem arises because previous studies on the role of profitability, leverage, and company size in determining market valuation still show inconsistent results. Using a quantitative approach, this study employs multiple linear regression analysis on 985 observations of companies from the financial, primary consumer, and technology sectors. The independent variables tested include ROE, DER, company size, and sector dummy variables, with stock prices as the dependent variable. The results of the analysis show that ROE and DER have a negative effect on stock prices, while company size has a significant positive effect. In addition, the primary consumer and technology sectors have higher stock prices than the financial sector as a reference. The conclusion of this study confirms that profitability is not always a positive signal for investors, while large company size reflects trust and stability. These findings contribute to the literature on the relationship between internal factors and stock prices, while also offering practical implications for investors and company management in investment decision-making.

Keywords: Catering Sector; Raw Material Price Fluctuations; Sensitivity Analysis; Optimal Funding Strategy; Profitability

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INTRODUCTION

Stock prices are a key indicator that reflects the value of a company in the eyes of investors and serves as a benchmark for the health of the capital market. Stock price movements are influenced by various factors, both internal and external. In academic studies, internal indicators such as ROE, DER, and company size are considered key determinants in evaluating financial performance and projecting a company's long-term prospects (Hutauruk & Ghozali, 2020; Sukesti et al., 2021). A number of previous studies have shown that ROE generally has a positive impact on stock prices because it reflects the level of profitability (Salouhi & Al-Bakri, 2022). Meanwhile, DER has a more complex influence, depending on the level of leverage and debt management capacity (Endri et al., 2019; Malasari et al., 2020). Company size has also been reported to play a role as an indicator of

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stability and credibility, although findings regarding its influence remain mixed (Amani et al., 2025; Pranata et al., 2024; Yin & Liao, 2021).

However, most prior research has only examined the influence of internal factors within a single sector or in aggregate, without highlighting differences across industries. In reality, sectors have distinct characteristics in terms of business risk, capital structure, and sensitivity to internal factors (Chernov & Sornette, 2020). For instance, the financial sector is highly sensitive to leverage and regulation, the primary consumer sector tends to be more stable due to consumer loyalty, while the technology sector is characterized by rapid growth and high volatility (Zumba, 2024). Cross-sector studies remain relatively limited in the Indonesian capital market context, creating a research gap that calls for comparative analysis of how internal factors affect stock prices across strategic sectors (Mukhsin et al., 2025). The novelty of this study lies in providing empirical evidence on the influence of ROE, DER, and Firm Size on stock prices across three strategic sectors of the Indonesia Stock Exchange (IDX): finance, primary consumer, and technology. By applying a regression approach with sectoral dummy variables, this research contributes to strengthening the contextual evidence from Indonesia's capital market. Thus, the study not only enriches empirical understanding of stock price determinants but also offers practical insights for investors, regulators, and corporate management in formulating sector-specific investment strategies and financial policies. The purpose of this study is to examine the effect of ROE, DER, and company size on stock prices, as well as to identify differences in these effects across various strategic sectors on the IDX during the period 2020–2024.

THEORETICAL FRAMEWORK AND HYPOTHESES

Stock Price Concepts and Basic Theories

Stock prices are market values that reflect investors' expectations for a company's performance and future prospects. Fundamentally, the stock price is determined by the company's ability to generate profits, capital structure, alongside external factors such as economic circumstances and market sentiment (Hutauruk & Ghozali, 2020; Sukesti et al., 2021). Understanding stock prices is important for investors in making optimal investment decisions, as well as for company management in planning financial strategies. In the financial literature, there are several main theories that explain stock price dynamics. First, the Efficient Market Hypothesis (EMH) states that stock prices reflect all available information, so investors cannot consistently make abnormal profits (Coelho et al., 2019). However, in practice, internal information such as a company's financial performance can still significantly affect investor perception and stock price movements. Second, the Fundamental Value Theory emphasizes that stock prices should reflect the company's intrinsic value, which is calculated based on financial performance, assets, and growth potential (Endri et al., 2019). Financial metrics such as Return on Equity (ROE), Debt-to-Equity Ratio (DER), and Firm Size are frequently employed to evaluate if a stock's price is undervalued or overvalued.

In addition, investors' perception of internal information also plays an important role. Information about profits, capital structure, or business expansion can trigger market reactions that affect stock prices (Malasari et al., 2020). This shows that even though the market is close to efficient, internal factors still have a significant influence on investor judgment. This conceptual framework is the basis for the study to trace the influence of ROE, DER, and Firm Size on stock prices in various industry sectors, as well as assess whether these influences differ between sectors.

Return on Equity (ROE) and Its Relationship to Stock Price

Return on Equity (ROE) is a profitability ratio that measures a company's ability to generate profits from its own capital. High ROE generally indicates the efficiency of management in managing capital, thereby increasing the attractiveness of stocks for investors. Previous research has consistently found that ROE has a positive effect on stock prices, as the profits generated reflect

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added value for shareholders (Hutauruk & Ghozali, 2020; Jallow et al., 2022; Salouhi & Al-Bakri, 2022). In addition, ROE was also found to be positively correlated with the Price Earnings Ratio (PER) and Price to Book Value (PBV) ratios, which strengthened its influence on stock prices (Sukesti et al., 2021). However, the results of the study are not always uniform. Some studies report that ROE actually hurts a company's value, indicating the possibility of differences in results depending on the industry or market conditions analyzed (Endri et al., 2019). This confirms that the influence of ROE on stock prices can vary between sectors, especially when risk and regulatory characteristics differ. For example, the financial sector is more sensitive to profitability due to its reliance on leverage, while the primary consumer sector is more stable because it relies on consumer loyalty. Thus, cross-sector analysis is important to identify whether the relationship between ROE and stock prices is consistent across industries, as reflected in differences in average price levels.

H1: Return on Equity (ROE) has a significant positive effect on the company's share price on the Indonesia Stock Exchange (IDX)

Debt-to-Equity Ratio (DER) and Its Relationship to Stock Price

Debt-to-Equity Ratio (DER) is an indicator of capital structure that measures the proportion between a company's total debt and equity. A high Debt-to-Equity Ratio (DER) signifies substantial leverage, which may elevate the danger of default; nevertheless, it also possesses the potential to yield greater returns for shareholders if the company effectively manages its debt. Therefore, DER is often used as an investor reference in assessing financial risk and company stability (Hendiarto et al., 2021; Sukesti et al., 2021). Previous research has shown mixed results regarding the influence of DER on stock prices. Some studies have found that DERs have a significant positive effect, indicating that higher leverage can increase stock prices due to the potential for greater returns (Salouhi & Al-Bakri, 2022). However, other studies report that DER has no significant effect on stock prices, which can be due to differences in a company's ability to manage debt (Malasari et al., 2020). In fact, there are studies that show the negative influence of DER on Return on Assets (ROA), which in turn can lower stock prices (Endri et al., 2019).

This difference in results confirms that the influence of DER on stock prices is not universal, but depends on the characteristics of the industrial sector. For example, the financial sector is highly sensitive to leverage due to regulatory and operational risks, while the primary consumer sector is relatively more stable, so DER may not be the dominant factor. Thus, cross-sector analysis is important to determine whether the influence of DERs on stock prices is consistent across industries, as reflected in differences in average price levels.

H2: Debt-to-Equity Ratio (DER) has a significant effect on the company's share price on the IDX

Firm Size and Its Relationship to Stock Price

Total assets, revenue, or market capitalization usually measure Firm Size. Large corporations generally exhibit greater stability, possess superior access to capital markets, and demonstrate enhanced resilience to economic volatility compared to smaller enterprises. Therefore, the size of a company is often considered an indicator of a company's credibility and durability in the eyes of investors (Pranata et al., 2024; Yin & Liao, 2021). This stability can increase investor confidence and ultimately affect stock prices. However, previous research has shown mixed results regarding the influence of Firm Size on stock prices. Some studies report that the size of a company has no significant effect on stock prices, even though large companies have more stable earnings (Chikita & Kartika, 2023; Sukesti et al., 2021). In contrast, other research has found that large companies are generally more sustainable and attractive to investors, thus increasing the value of the company reflected through Price to Book Value (PBV), which ultimately has a positive impact on stock prices (Liu & Liu, 2025; Yin & Liao, 2021).

These differences in results show that the influence of Firm Size on stock prices is not universal, but rather depends on the characteristics of the industrial sector. For example, the primary consumer

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sector tends to emphasize the scale of operations as a signal of stability, while the technology sector is more influenced by growth and innovation, so company size may not be a dominant factor. Thus, cross-sector analysis is required to identify whether Firm Size has a consistent influence across industries, as reflected in differences in average price levels.
H3: Firm Size has a significant effect on the company's share price on the IDX

Differences in Characteristics Between Industrial Sectors
Each industry sector has different characteristics in terms of business risk, capital structure, growth, and sensitivity to internal factors of the company. This difference is important to note because it can modify the influence of internal factors such as ROE, DER, and Firm Size on stock prices. This research focuses on three strategic sectors on the Indonesia Stock Exchange (IDX), namely the financial sector, primary consumers, and technology, each of which has unique characteristics (Chernov & Sornette, 2020). The financial sector includes banking, insurance, and other financial institutions. Companies in this sector are heavily influenced by regulations and leverage levels. DER is a very relevant factor because the debt structure plays a big role in operational risk and the ability to earn profits. The stock price of a financial sector company is usually sensitive to changes in interest rates and monetary policy, so the influence of internal factors can be different from other sectors (Al Salamat et al., 2021).

The primary consumer sector includes companies of daily necessities and consumer services. The character of this sector is relatively stable as it relies on consumer loyalty and consistent sales volumes. ROE and Firm Size are often the main indicators in determining stock prices, as a company's profit and scale of operations signal stability and competitiveness in the market (Endri et al., 2019). The technology sector includes innovation-based and high-tech companies. Its characteristics are rapid growth and high stock price volatility. Internal factors such as ROE and Firm Size can have a more volatile effect on stock prices, while DER is also relevant given that companies often use leverage for expansion and innovation (Guo et al., 2021).
H4: There are differences in average stock price levels between strategic industrial sectors on the IDX, as represented by sector dummy variables.

METHODS

Research Design / Approach
This study uses an explanatory quantitative approach with the aim of analyzing the influence of internal factors of the company on stock prices and assessing the differences in these influences between strategic sectors on the Indonesia Stock Exchange (IDX). The independent variables used are Return on Equity (ROE), Debt-to-Equity Ratio (DER), and Firm Size, while the dependent variable is stock price. To identify differences between sectors, this study used the sector dummy variable with the financial sector as a basis for comparison, while the primary consumer and technology sectors were included as the interaction variables.

The stages of data analysis are carried out systematically through several statistical tests, namely:
1. Normality test to ensure data distribution according to regression assumptions.
2. Multicollinearity test to identify the presence of high correlations between independent variables.
3. The heteroscedasticity test is used to check the consistency of residual variance in regression models.
4. Conduct a Multiple Linear Regression Analysis incorporating sector dummy factors to evaluate the impact of ROE, DER, and Firm Size on stock prices, as well as to examine variations in average price levels among sectors.

This approach was chosen because it is able to provide a comprehensive empirical picture of the relationship between internal factors and stock prices, as well as identify the heterogeneity of influence between strategic sectors in the Indonesian capital market.

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Population and Sample

The population of this study includes all companies listed on the Indonesia Stock Exchange (IDX) in the financial, primary consumer, and technology sectors during the 2020–2024 observation period. The total population that meets the initial criteria is 280 companies.

Sample selection was carried out using the purposive sampling technique, which is based on the following criteria:

1. The company was consistently listed on the IDX during the research period.
2. The company has a complete and accessible annual financial report.
3. Year-end closing stock price data is consistently available.

Based on these criteria, the number of samples used in this study is 197 companies. This sample is considered representative to illustrate the influence of internal factors on stock prices across strategic sectors on the IDX, while allowing an analysis of differences between sectors with an adequate level of validity.

Data and Variables

This research uses secondary data obtained from the company's annual financial statements and year-end closing share prices published through the official website of the Indonesia Stock Exchange (IDX) and other official sources. The observation period covers 2020 to 2024, allowing for cross-time and cross-sector analysis of strategic sectors.

Research Variables

1. Dependent Variable (Y): Stock Price
2. Stock prices are measured using the year-end closing price of each company in the research sample.
3. Independent Variable (X):
   a. Return on Equity (ROE): a profitability ratio that measures a company's ability to generate profits from its own capital.
   b. Debt-to-Equity Ratio (DER): a ratio of the capital structure that shows the proportion between the company's total debt and equity.
   c. Firm Size: the size of the company calculated using the natural logarithm of total assets.
4. Sector Dummy Variables:
   a. To identify the difference in influence between sectors, this study uses dummy variables with the financial sector as a basis for comparison. The primary consumer sector and the technology sector are included as dummy variables of interaction, so that the regression coefficient shows a difference relative to the financial sector.

Data Analysis Steps

The data analysis stages in this study were conducted systematically to ensure the validity of the regression model and the accuracy of the interpretation of the results. The analysis procedures included:

1. **Normality Test**
   This test aims to ensure that the residual data from the regression model is normally distributed. Residual normality is an important prerequisite for the reliability of regression coefficient estimates and the validity of significance test results.
2. **Multicollinearity Test**
   This test is used to detect high correlations between independent variables. Multicollinearity can distort the estimation of regression coefficients. The indicators used are the Variance Inflation Factor (VIF) and Tolerance values, with the criteria that multicollinearity does not occur if VIF < 10 and Tolerance > 0.1.

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3. **Heteroscedasticity Test**
   This test is conducted to examine whether the residual variance is constant (homoscedastic). If heteroscedasticity occurs, the regression results have the potential to be biased. Testing is carried out using the scatterplot method and formal statistical tests.
4. **Multiple Linear Regression Analysis with Sector Interaction Variables**
   The study's primary analysis tested the impact of ROE, DER, and Firm Size on stock prices using multiple linear regression. The model incorporates the dummy variables of the key technological and consumer sectors, using the financial sector as a benchmark. Thus, the sector dummy coefficient shows a difference in influence relative to the financial sector. This model allows the identification of the heterogeneity of the influence of internal factors between strategic industrial sectors on the IDX.

RESULTS

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Red	Std. Deviation
ROE	985	-48.383	11.055	-0.0615	1.8542
THE ER	985	-23.618	92.500	2.4611	5.3859
Size	985	17.983	35.426	29.1685	2.2738
Stock Price	985	1.099	10.621	6.3277	1.5823

Source: SPSS Process

Table 1 shows the descriptive statistical results of the 985 observations used in the study. The ROE variable has a negative average value (-0.0615) with a standard deviation of 1.8542, which indicates that there are companies with low or even negative equity performance. The DER variable has an average of 2.4611 with a fairly high standard deviation (5.3859), indicating a large variation in the capital structure between companies. The Firm Size variable has an average of 29.1685 (in natural asset logs), with a range between 17,983 and 35,426, which reflects a significant difference in company size. Meanwhile, the Stock Price has an average of 6.3277 with a standard deviation of 1.5823, showing the variation in stock prices between companies in the sample.

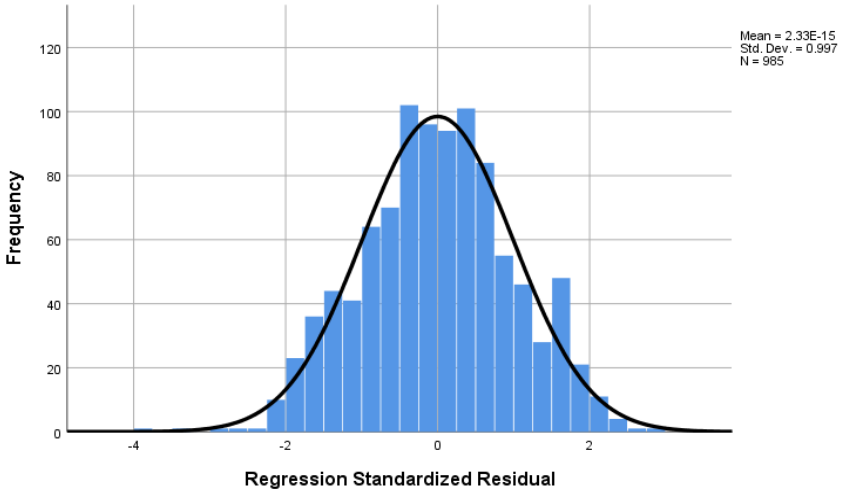

Figure 1. Histogram
Source: SPSS Process Results

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Figure 1 shows the residual distribution of the multiple linear regression model with the stock price-dependent variable. The histogram shows that the residues are symmetrically scattered around the zero value and form a pattern resembling a normal curve. The residual mean value of 2.33E-15 and the standard deviation of 0.997 indicate that the residual distribution is close to normal. This distribution indicates that the residual normality assumption in the regression model has been met, so that the results of the coefficient estimation and significance test can be considered statistically valid.

Table 2. Multicollinearity Test

Variable	Tolerance	VIVID
ROE	0.503	1.987
DER	0.488	2.048
Size	0.770	1.299
Consumer Sector	0.858	1.165
Technology Sector	0.832	1.202

Source: SPSS Process

Table 2 shows the results of the multicollinearity test for independent variables in the regression model. The Tolerance value of all variables is above 0.1, and the VIF value of all variables is below 10. This indicates that there is no problem of multicollinearity in the regression model. Thus, the variables ROE, DER, Firm Size, and dummy of the consumer and technology sectors can be used simultaneously in regression analysis without causing distortion in the estimated coefficient.

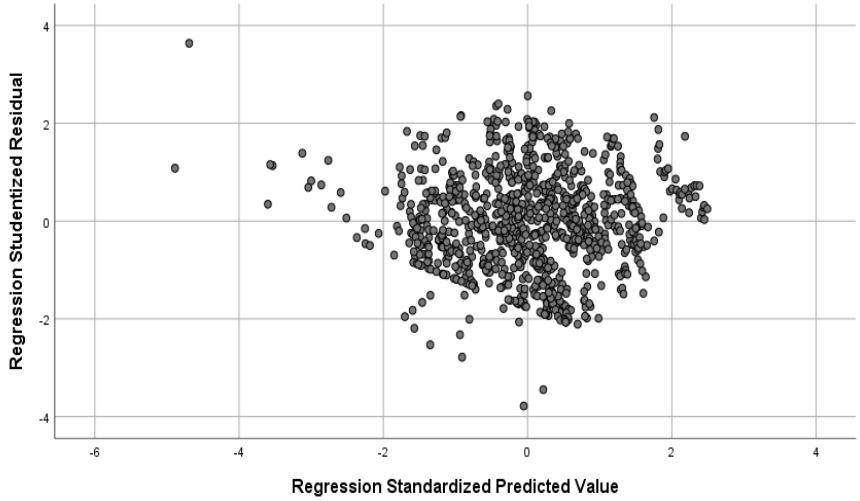

Figure 2. Scatterplot
Source: SPSS Process Results

Figure 2 shows the residual distribution to the predicted value of the multiple linear regression model. The data points are randomly scattered around a horizontal line without forming a specific pattern such as a fan, funnel, or curve. This random distribution pattern indicates that there are no symptoms of heteroscedasticity in the model, so the assumption of residual variance consistency (homoscedasticity) has been met. With the fulfillment of this assumption, the regression model can be used for valid, unbiased estimation and interpretation due to residual variance inconsistencies.

Table 3. Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	-4.992	0.649	—	-7.697	0.000

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ROE	-0.070	0.033	-0.082	-2.114	0.035
THE ER	-0.056	0.012	-0.191	-4.820	0.000
Firm Size	0.385	0.022	0.553	17.556	0.000
Consumer Sector	0.420	0.096	0.131	4.385	0.000
Technology Sector	0.477	0.162	0.089	2.937	0.003

Source: SPSS Process Results

Table 3 shows the results of multiple linear regression analysis of stock prices as a dependent variable. The ROE variable has a negative coefficient of -0.070 and is significant at the level of 5% (p = 0.035), which suggests that the increase in ROE is actually negatively correlated with the stock price in this sample. The DER variable also showed a significant negative influence (B = -0.056, p = 0.000), indicating that the higher the debt-to-equity ratio, the lower the company's share price. In contrast, Firm Size has a significant positive effect on the stock price (B = 0.385, p = 0.000), which means that companies with larger sizes tend to have higher stock prices. The sector dummy variable shows that both the primary consumer sector (B = 0.420, p = 0.000) and the technology sector (B = 0.477, p = 0.003) have significantly higher stock prices than the financial sector used as a basis for comparison. This shows that sector dummy variables capture differences in average stock price levels between industrial sectors, rather than changes in the structural relationship of internal factors. The results of this study show that there is a negative influence of Return on Equity (ROE) and Debt to Equity Ratio (DER) on stock prices, as well as the positive influence of Firm Size. In addition, the dummy variables of the primary consumer and technology sectors have proven to be significant compared to the financial sector. These findings provide an idea that internal factors of a company play an important role in determining stock valuations, but the direction of their influence does not always correspond to classical theoretical expectations (Gusni et al., 2025). Therefore, these results need to be linked to the framework of theories, hypotheses, and previous research to provide a more comprehensive understanding.

Profitability (ROE) as a Risk Signal

Theoretically, Return on Equity (ROE) is expected to have a positive effect on stock prices because it reflects the company's ability to generate profits from its own capital. Within the frameworks of Fundamental Value Theory and the Efficient Market Hypothesis, high profitability should serve as a positive signal that is immediately reflected in market valuation. However, the empirical results of this study reveal a negative relationship between ROE and stock prices, which constitutes the core finding of this research. This result suggests that in the Indonesian capital market, ROE is not always interpreted as a performance signal, but rather as a risk signal (Mukhsin et al., 2025). High ROE may arise from aggressive leverage strategies or earnings management practices, which raise concerns about the sustainability and quality of reported profits (Mukhsin et al., 2024). Investors in emerging markets tend to be cautious toward financial indicators that appear "too good," due to heightened awareness of governance issues and the reliability of financial reporting (Endri et al., 2019). Consequently, a high ROE can be perceived as a warning sign of potential instability if it is not supported by a sound capital structure.

Sectoral characteristics further reinforce this interpretation. In the financial sector, high ROE is often linked to aggressive credit expansion, which increases default risk and regulatory exposure (Nikmah et al., 2025). In contrast, in the technology sector, relatively low ROE is not necessarily viewed negatively, as investors prioritize long-term growth and innovation over short-term profitability. These differences highlight that ROE must be understood in its sectoral context, where the same indicator can signal either strength or vulnerability depending on industry dynamics. By reframing ROE as a risk signal rather than a straightforward measure of performance, this study contributes empirical evidence that challenges conventional assumptions in the literature. This finding underscores the importance of contextual interpretation of profitability indicators in emerging

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markets, where investor behavior is shaped not only by financial ratios but also by concerns about leverage, earnings quality, and governance practices.

Capital Structure (DER) and Leverage Risk

The hypothesis regarding DER has been proven to be consistent with the theory of capital structure. The higher the debt-to-equity ratio, the greater the company's financial risk, so investors are more likely to lower the stock's valuation (Widyakto et al., 2024). These findings support the Trade-Off and Pecking Order theory, which emphasizes that an overly debt-dependent capital structure will reduce investor confidence. In the context of the Indonesian market, investors' sensitivity to leverage is increasing due to economic volatility and regulatory uncertainty. Companies with high DER are considered more susceptible to changes in interest rates, exchange rate fluctuations, and fiscal policy. This makes DER an important indicator in investment decision-making. Institutional investors, in particular, tend to avoid high-leverage companies because the risk of default is greater and the potential for debt restructuring could depress stock prices.

In addition, DER also has implications for a company's reputation. Companies with a healthy capital structure are considered better able to maintain operational stability, attract business partners, and gain access to funding at lower costs. In contrast, companies with high DER often face difficulties in obtaining new credit, thus limiting their ability to expand. These findings confirm that capital structure is not only a financial indicator, but also a signal of trust for investors and other stakeholders.

Firm Size as a Stability Signal in Sectoral Context

The empirical results regarding Firm Size are consistent with the initial hypothesis, showing a positive and significant effect on stock prices. Large companies are generally perceived as more stable, with broader access to funding and stronger resilience against market shocks. This aligns with Fundamental Value Theory, which emphasizes company size as a signal of investor confidence (Hutauruk & Ghozali, 2020). However, the meaning of Firm Size is not uniform across sectors. In the financial sector, size is closely tied to regulatory requirements and systemic stability. Larger financial institutions are often subject to stricter oversight, but they also benefit from stronger reputations and greater investor trust. Their scale provides resilience against liquidity shocks and enhances confidence in the broader financial system. In contrast, in the technology sector, Firm Size is less relevant compared to growth potential. Investors in this sector tend to prioritize innovation, scalability, and future expansion rather than current size. Smaller technology firms can still command high valuations if they demonstrate strong growth trajectories, while larger firms may face challenges in maintaining agility and innovation. For the primary consumer sector, Firm Size often signals operational stability and market dominance. Larger firms benefit from economies of scale, brand loyalty, and consistent demand, making size a more direct indicator of long-term sustainability in this sector.

Thus, while Firm Size generally acts as a stability signal, its interpretation varies across industries (Amani et al., 2025; Mukhsin et al., 2025). In finance, it reflects systemic resilience; in technology, growth prospects overshadow size; and in consumer sectors, size reinforces stability and competitiveness. This sectoral differentiation highlights the importance of contextualizing Firm Size when analyzing its influence on stock prices in emerging markets. When compared to previous studies, these findings are partly consistent. The negative influence of DER on stock prices is in line with the results of the study by Endri et al. (2019), which found that high leverage lowered investor confidence. The positive influence of Firm Size is also consistent with research by Hutauruk & Ghozali (2020), which emphasizes that the size of the company is positively correlated with the market value. However, negative ROE results differ from studies such as Bernardus Sinurat et al. (2025), which indicates that high profitability usually increases the stock price. This difference confirms the existence of an anomaly in the Indonesian capital market, where investors are more

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sensitive to the risks inherent in high profitability than simply looking at profits. This anomaly enriches the literature by showing that the relationship between financial indicators and stock prices is not universal, but rather influenced by the institutional, regulatory, and behavioral contexts of local investors.

Theoretical Implications

Theoretically, the results of this study strengthen the literature on the influence of internal factors on stock prices, while showing that these relationships are not always linear and can differ between sectors. The findings on negative ROE make a new contribution to the discourse on profitability and risk perception in emerging capital markets. This expands the understanding that classical financial indicators are not always universal, but rather are influenced by local contexts. In addition, this study emphasizes the importance of a sectoral approach in capital market analysis. The difference in the influence of sector dummy variables shows that investors assess the company's internal factors differently depending on the characteristics of the industry. This supports the theory of the Efficient Market Hypothesis in a semi-powerful form, where public information about the industrial sector significantly affects stock prices.

Practical Implications

In practical terms, this study provides input for investors to interpret financial indicators with greater caution and sectoral sensitivity. High profitability (ROE) should not automatically be seen as a positive signal, but rather evaluated in relation to leverage risk and earnings quality. Investors are advised to conduct a deeper analysis of the sources of profitability and the sustainability of capital structures before making investment decisions.

For investors, the sectoral findings suggest differentiated strategies:

1. In the financial sector, investors should pay closer attention to DER and regulatory exposure, as leverage risk is particularly critical. High ROE in this sector may signal aggressive credit expansion and potential instability.
2. In the technology sector, growth prospects and innovation are more relevant indicators than Firm Size. Investors should prioritize companies with strong scalability and R&D capacity, even if current profitability is low.
3. In the primary consumer sector, Firm Size and operational stability are key signals. Larger firms with established consumer bases offer more predictable returns and resilience against market shocks.

For company management, the results emphasize the importance of tailoring strategies to sectoral expectations. Financial firms need to balance profitability with prudent leverage management and regulatory compliance. Technology firms should focus on sustainable growth and innovation to maintain investor confidence, while consumer sector firms should leverage scale and brand loyalty to reinforce stability. Across all sectors, transparency in financial reporting and avoidance of earnings management practices are essential to build trust. For regulators, these findings highlight the need to strengthen governance and disclosure standards that reflect sector-specific risks. In finance, oversight should prioritize leverage and systemic stability; in technology, policies should encourage innovation while ensuring accountability; and in consumer sectors, transparency in operational performance should be emphasized. By reducing information asymmetry and aligning regulatory focus with sectoral dynamics, regulators can enhance investor confidence and improve market efficiency in the Indonesian capital market.

CONCLUSION

This study aims to analyze the influence of internal factors on company stock prices by including profitability (ROE), capital structure (DER), company size (Firm Size), and industrial sector dummy

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variables. The results show that ROE and DER have a negative effect on stock prices, while Firm Size has a significant positive effect. In addition, the primary consumer and technology sectors exhibit higher stock prices compared to the financial sector as the baseline. These findings confirm that in the context of the Indonesian capital market, profitability is not always a positive signal for investors, but can be perceived as a risk indicator if not supported by a sound capital structure. Conversely, large company size serves as a signal of trust and stability, thereby increasing stock valuation. Theoretically, this study enriches the literature by demonstrating that the relationship between financial indicators and stock prices is not universal, but is influenced by market context and sectoral characteristics. Practically, the results provide input for investors to be more cautious in interpreting high profitability, and for company management to maintain a healthy capital structure and transparent financial reporting. The sectoral findings also suggest that the primary consumer and technology sectors have greater appeal to investors, offering strategic considerations in investment decision-making.

Limitations of this study should also be acknowledged. First, the analysis is limited to three strategic sectors (finance, primary consumer, and technology), so the findings may not fully represent other industries in the Indonesian capital market. Second, the observation period of 2020–2024 may not capture longer-term dynamics or sectoral shifts in the market. Third, the study focuses only on internal financial indicators (ROE, DER, and firm size), while external factors such as macroeconomic conditions, policy changes, and global market sentiment were not included. These limitations open opportunities for future research to expand sectoral coverage, extend the observation period, and integrate external determinants to provide a more comprehensive understanding of stock price behavior in emerging markets.

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