The Effect of Financial Performance on Stock Prices with Macroeconomic Factors as Control Variables

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Abstract
This study aims to analyze the effect of financial performance on stock prices, with inflation and foreign exchange rates as controlling variables. Financial performance is approximated by four ratios, which are Net Profit Margin (NPM), Return on Assets (ROA), Debt to Equity Ratio (DER), and Earnings per Share (EPS). A total of 70 observations were analysed using a quantitative approach through panel data regression. The analysis showed that ROA and DER can affect stock prices. Conversely, NPM and EPS cannot influence stock prices. On the other hand, macroeconomic factors as control variables influence stock prices simultaneously but cannot influence them partially. These findings are expected to be taken into consideration by investors when formulating their investment strategies.

Keyword: Stock Price; NPM; ROA; DER; EPS; Macroeconomic Factors

1. Introduction

The purchase of assets on the capital market is defined as a form of investment activity aimed at achieving future returns, both for individual interests and to support national economic growth. In Indonesia, public interest in capital market investment shows a continuously increasing trend. This increase is reflected in the press release from the Indonesia Stock Exchange (IDX), which noted that the Composite Stock Price Index closed the year 2023 at 7,303.89, representing a 6.62% increase compared to 2022. Additionally, the number of capital market investors increased to 12.16 million, with stock investor growth reaching 811,000, bringing the total number of stock investors to 5.25 million. This data shows that capital markets are increasingly trusted as a vehicle for asset development and an alternative in financial planning for the public (Indonesia Stock Exchange, 2023).

Along with this growth, awareness of ethical and sharia-compliant investing has also increased. Sharia stocks have become the primary choice for Muslim investors because they are considered capable of providing financial returns while complying with Islamic law principles. The increasing interest in Sharia stocks is also reflected in the growth in the total shares listed on the Sharia Securities List each year. From 2019 to 2023, recorded total sharia shares continue to increase, showing a positive trend. These sharia stocks are issued in two periods each year, with Period I at the end of May and Period II at the end of November. The following graph illustrates the growth of sharia stocks over the past five years:

Source: Otoritas Jasa Keuangan, 2023

Figure 1. Development of Sharia Stocks in 2019-2023

The figure shows continued annual growth. In 2019, the number of sharia stocks in DES was recorded at 408 stocks in the first period and increased to 435 stocks in the second period. This positive trend continued until 2023, with the first period recording 574 shares and the second period surging to 629 shares. This increase reflects the growing market enthusiasm for sharia-based investments, while also serving as a positive indicator of the development of the national sharia financial sector (Otoritas Jasa Keuangan, 2023).

The Jakarta Islamic Index (JII) is an index that shows the performance of sharia stocks with the highest liquidity, which also meet Islamic sharia criteria. This index was launched by the Indonesia Stock Exchange on July 3, 2000, as the first sharia-compliant stock index in Indonesia. The JII consists of 30 selected stocks chosen based on liquidity levels and compliance with sharia principles, making it an important benchmark for investors seeking to invest in accordance with Islamic values (Indonesia Stock Exchange, 2025).

One important aspect in understanding the effectiveness of stock investments is to look at how stock prices move and what influences them. Stock prices reflect market participants' views on a company's performance and value. Fluctuations in stock prices can be caused by various factors, both internal and external to the company. Financial performance is the main internal factor that is often used as an indicator in assessing a company's potential and stability. To understand stock price movements, investors make a company's financial performance a key aspect of their analysis. Financial performance serves as an important indicator to evaluate how efficiently a company manages its resources and its ability to make a profit. This evaluation is conducted through financial ratio analysis, which can be taken from the company's financial reports (Prihatni et al., 2020).

In addition to internal factors, stock price movements are also influenced by external conditions, particularly macroeconomic variables such as inflation rates and exchange rates. In the context of this study, these two variables are not the main focus, but rather serve as control variables to maintain the stability of the correlation between financial performance and stock prices. Meanwhile, financial indicators such as Net Profit Margin (NPM), Return on Assets (ROA), Debt to Equity Ratio (DER), and Earnings Per Share (EPS) serve as the primary benchmarks for assessing the growth potential and stability of issuers. Therefore, to obtain a comprehensive picture of stock prices, it is necessary to consider the contributions of both internal and external factors simultaneously.

Based on this description, this study formulates the research problem, which is to identify the influence of NPM, ROA, DER, and EPS with macroeconomic factors as control variables on stock prices. The selection of these main variables is based on their ability to reflect the company's profitability, asset efficiency, capital structure, and profit potential. This study focuses on examining the influence of financial performance proxied by NPM, ROA, DER, and EPS with macroeconomic factors as control variables on stock price movements. These findings are expected to contribute to investors in formulating their investment strategies and provide input for sharia capital market regulators in determining more effective policies.

2. Literature Review

2.1 Signaling Theory

This theory was proposed by Michael Spence (1973) and further developed by Ross (1977), explaining how companies overcome information asymmetry, which is a situation where management has more comprehensive information about the company than investors. To bridge this gap, management can send signals through certain actions or information, such as dividend announcements or transparent financial reports. This allows investors to assess the quality and prospects of the company using the available information (Sukesti et al., 2021).

The basis of this theory is the idea that shareholders do not have full access to company information, while managers have even deeper access, creating information asymmetry between the two. In this context, financial decisions made by companies are seen as a form of signal sent by management to investors in order to reduce information asymmetry. These signals then become part of the company's financial communication policy. For example, the change in a capital structure may be perceived by shareholders as a signal that could potentially affect shareholders' perceptions of the company's value (Sholichah et al., 2021).

2.2 Agency Theory

This theory describes the relationship between shareholders and company management as a representation of the actual agency relationship, where the main challenge is that owners cannot always ensure that managers act in their best interests (Zulpahmi et al., 2024). In this relationship, management is given authority by shareholders to run the company's operations. However, this theory is based on the assumption that agents tend to act in their own interests, not solely in the interests of shareholders. When the objectives of the principal and the agent are not aligned, a conflict of interest arises, known as agency conflict. This means that managers cannot be fully trusted to maximize the company's value in keeping with shareholders' expectations (Fayanni and Soetedjo, 2020).

One cause of agency conflict is information asymmetry, a condition in which managers have more complete information than capital owners. This information imbalance opens up opportunities for managers to make decisions that benefit themselves but harm the principal. Therefore, it is crucial for managers to present information accurately and transparently as a form of accountability to owners (Sari and Riwayati, 2024).

2.3 Stock Price

The stock price refers to the value of a share per share that is traded on the capital market. This value reflects the ownership of individuals or entities and is volatile in nature in line with the dynamics of supply and demand. Stock prices are often used as a key indicator in assessing a company's performance, as high prices generally reflect good company

performance, there by attracting investor attention. Therefore, the higher the stock price of a company, the more positive the perception of investors regarding the company's ability to generate profits (Agustina and Herlinawati, 2025).

2.4 Net Profit Margin (NPM)

NPM as a profitability indicator employed to determine a firm's capacity to generate net income from the sales volume. NPM describes the rate of profit from each unit of revenue and reflects management's efficiency in managing the company's costs and operations. For investors, NPM can be a reference in assessing a company's profitability. A high NPM reflects the company's capability to earn net profits while controlling operating costs. According toAzizah et al. (2022), profit assumes a highly crucial role in annual financial statements, including as the basis for tax calculations, policy and investment guidelines, and for predicting operational efficiency and future economic prospects. A high ratio also indicates that net profit is increasing efficiently, for example through optimal management of production and administrative costs. This condition sends a positive signal to investors as it shows how well the company is being run and that profits are likely to stay steady, making stocks with high NPM more attractive (Sukesti et al., 2021).

Fayanni and Soetedjo (2020) applied this formula in calculating the NPM value:

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Sales}} \text{ x } 100\%$$

2.5 Effect of Net Profit Margin on Stock Price

NPM can be used by managers and investors as a measure of performance. A low NPM can be an indication of cost efficiency in the interests of the company and shareholders. On the other hand, a high NPM indicates that the company is able to generate maximum net profit from its revenue, which is a positive signal for investors that can cause stock prices to rise. The findings of Karki et al. (2024), Septiano and Sari (2024), and Naftali et al. (2024) the study shows that NPM doesn't really affect stock prices. However, the findings of Fayanni and Soetedjo (2020), Sukesti et al. (2021), and Sholichah et al. (2021) show that NPM has a positive effect on stock prices.

$H_0$1: NPM cannot affect stock prices

H_a1: NPM can affect stock prices

2.6 Return On Assets (ROA)

ROA is a profitability ratio that shows how well a company can make a net profit from its total assets. ROA reflects how efficiently management uses all of the company's resources to make a profit. An increase in ROA shows that the company is more effective at managing its assets to make a profit, which strengthens investor confidence in the company's performance (Sulaiman, 2024). This ratio is important for managers, investors, and financial analysts because it provides an overview of the company's ability to manage and utilize its assets optimally. A high ROA shows that the company has the capability to utilize its resources optimally, which has a positive impact on stock prices because it reflects better potential returns on investment for investors (Sukesti., 2021).

Wahbi et al. (2024) calculated ROA using the following formula:

$$\text{Return On Assets} = \frac{\text{Net Profit}}{\text{Total Assets}} \text{ x } 100\%$$

2.7 Effect of Return On Assets on Stock Price

A low ROA can occur if managers do not use assets optimally for the benefit of the company and shareholders. On the other hand, a higher ROA indicates better financial performance, which is a positive signal that attracts investors and ultimately triggers a rise in stock prices. Findings from Karki et al. (2024), Sulaiman, (2024), Almonifi and Bhosle (2023), and Rusdiyanto et al. (2020) reveal that ROA cannot affect on stock prices. Conversely, findings from Latif et al. (2021), Khasanah and Suwarti (2022), and Sukesti et al. (2021) indicate that the ROA can have a significant positive effect on stock prices.

$H_0$2: ROA cannot affect stock prices

H_a2: ROA can affect stock prices

2.8 Debt to Equity Ratio (DER)

DER is a solvency ratio that measures the proportion of total debt to equity owned by a company. DER can describe the level to which the firm is financed by creditors rather than by shareholders, and reflects its ability to pay debt obligations through the use of equity. In assessing a company's capital structure, DER is an important indicator, where an optimal DER value indicates a balance between external (debt) and internal (equity) financing. A high DER level may reflect the company's high dependence on debt, while a ratio that is too low may indicate a lack of efficient leverage utilization (Prihatni et al., 2020).

Sholichah et al. (2021), Apply this formula to calculate the DER:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Equity}} \text{ x } 100\%$$

2.9 Effect of Debt to Equity Ratio on Stock Price

The use of DER is useful as a disciplinary tool for managers, because the obligation to pay debts can encourage managers to be more careful and efficient. A low DER is generally considered a positive signal, because the financial risk is lower, while an excessively high DER can be a negative signal and reduce investor interest. Several previous studies, such as Ilva et al. (2024), Prihatni et al. (2020), and Rusdiyanto et al. (2020), revealed that DER cannot affect stock prices. Conversely, the findings of Nagina and Othman (2024), Sihombing and Zakchona (2024), and Ernawati and Purwaningsih (2022) revealed that DER can negatively affect stock prices.

$H_0$3: DER cannot affect stock prices

H_a3: DER can affect stock prices

2.10 Earning Per Share (EPS)

EPS is an indicator that shows a company's net income and how much of it is allocated to each outstanding share. This indicator is used to assess how well a company is able to provide returns to its shareholders. An increase in EPS reflects an increase in profits received by investors from their shareholdings, thus EPS is often used as an indicator to review the efficiency of a business's management performance. Additionally, EPS also reflects a company's profitability over a specific period, which investors can consider when evaluating the company's growth prospects. A high EPS value indicates that the company is capable of generating stable and sustainable profits, which in turn can influence high stock prices. Meanwhile, a low EPS value may indicate a decline in the financial performance of the company (Badruzaman, 2020).

Ardillah and Herlinawati, (2024) calculated EPS using the following formula:

$$\text{Earning Per Share} = \frac{\text{Net Profit}}{\text{Total Shares Outstanding}}$$

2.11 Effect of Earning Per Share on Stock Price

As a measure of earnings per share available to shareholders, EPS assumes a highly crucial role in providing signals regarding a company's financial condition. An increase in EPS is generally considered a positive signal, as it reflects that the company is performing well and is able to distribute greater profits to shareholders. This can increase market interest in the stock, thereby driving up its price. However, findings from Agustina and Herlinawati (2025) and Budiantini (2024) reveal that EPS cannot affect stock prices. Conversely, Naftali et al. (2024), Rao Kuntamalla and Maguluri (2023), and Sinurat et al. (2020) this shows that EPS can be a positive and significant impact on stock prices. On the other hand, Almonifi and Bhosle (2023) also found that EPS has a negative and significant impact on stock prices.

$H_0$4: EPS cannot affect stock prices

H_a4: EPS can affect stock prices

Referring to the explanation that has been put forward, financial performance indicators such as NPM, ROA, DER, and EPS are expected to have varying effects, or even no effect at all, on stock prices. The same applies to control variables such as inflation and exchange rates, which have shown inconsistent results in various studies.

3. Material and Method

This study provides a comprehensive methodological description to ensure the reproducibility of the research process. This section explains the research design, data sources, sampling procedures, and analytical techniques used to test the proposed hypotheses.

3.1 Design Study

This study employs an applied quantitative research design using secondary data obtained from company annual reports. The design was chosen because it enables objective and systematic measurement through statistical data processing. The quantitative approach was implemented through a regression equation model to explain the relationship among variables in a measurable and testable manner.

This study adopts a panel data regression analysis framework, and all data were processed using Stata 17 software. The population consists of all companies listed on the Jakarta Islamic Index (JII) from 2019 to 2023, along with macroeconomic indicators such as inflation and foreign exchange rates obtained from the Central Statistics Agency and the World Bank. Sampling was conducted using a purposive sampling technique with the following criteria: (1) Companies listed on the JII; (2) Companies that have been consistently listed on the JII during the 2019-2023 period; (3) Companies that have published annual reports from 2019 to 2023. Based on this sampling process, 14 out of the 30 companies listed on the JII were selecting as samples in this study.

3.2 Data Analysis

After the research instrument was developed, the collected sample data were analyzed using Stata 17. Before conducting statistical tests, the analysis framework below was designed to illustrate the direction of the relationship between variables and serve as a reference for the regression analysis.

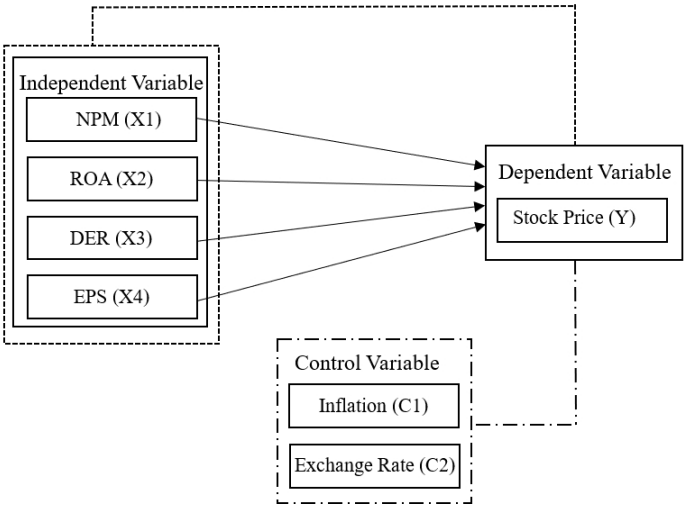

Figure 2. Research Model

4. Result

4.1 Descriptive Statistical Test

Table 1. Descriptive Statistical Test Result

Variable	Obs	Mean	Std. dev.	Min	Max
hargasaham	70	6641.671	7425.511	755	42000
npm	70	12.42974	7.176632	.5924837	34.94179
roa	70	10.2126	8.295268	.3482819	35.80175
der	70	96.47997	90.02142	12.88171	392.8398
eps	70	244.1905	260.3804	.0002938	1094.05
inflasi	70	2.878	1.386565	1.68	5.51
nilaitukar	70	14624.4	391.2159	14147	15236

Source: Output Stata 17

Descriptive statistics present a summary of data by showing the frequency distribution of each variable, with the aim of presenting a comprehensive picture of the data on the variables being studied (Purba et al., 2021).

1. The lowest stock price was 755, while the highest reached 42,000. The mean stock price was 6,641.671, while the standard deviation was 7,425.511.
2. The lowest NPM value is 0.5924837, while the highest reaches 34.94179. The mean NPM is recorded at 12.42974, while the standard deviation was 7.176632.
3. The lowest ROA value is 0.3482819, while the highest value reaches 35.80175. The mean ROA is recorded at 10.2126, while the standard deviation was 8.295268.
4. The lowest DER value is 12.88171, while the highest value reaches 392.8398. The mean DER is recorded at 96.47997, while the standard deviation was 90.02142.
5. The lowest EPS value is 0.0002938, while the highest value reaches 1094.05. The mean EPS is recorded at 244.1905, while the standard deviation was 260.3804.
6. Inflation as a control variable reaches a lowest value of 1.68, while the highest value reaches 5.51. The mean inflation is recorded at 2.878, while the standard deviation was 1.386565.

7. Exchange rate as a control variable reaches a lowest value of 14,147, while the highest value reaches 15,236. The mean exchange rate was recorded at 14,624.4, while the standard deviation was 391.2159.

4.2 Selection and Testing of Panel Data Regression Models

Table 2. Chow Test Result

F test that all u_i=0: F(13, 50) = 11.73	Prob > F = 0.0000

Source: Output Stata 17

This test was conducted to assess which of the two models, CEM or FEM, was more appropriate. The above results show a prob > f value of 0.0000, meaning that the value is lower than the significance level of 0.05 (0.0000 < 0.05). Thus, in this test, the selected model is FEM.

Table 3. Hausman Test Result

```
    chi2(6) = (b-B)'[(V_b-V_B)^(-1)](b-B)
            =   8.28
Prob > chi2 = 0.2183
```

Source: Output Stata 17

This test is applied to assess which model is more appropriate, REM or FEM. The above results show a prob > chi2 value of 0.2183, meaning that the value is above the significance level of 0.05 (0.2183 > 0.05). Thus, in this test, the selected model is REM.

Table 4. Lagrange Multiplier Test Result

```
Breusch and Pagan Lagrangian multiplier test for random effects

        hargasaham[perusahaan,t] = Xb + u[perusahaan] + e[perusahaan,t]

        Estimated results:
                         |       Var     SD = sqrt(Var)
                ---------+------------------------------
                hargasa~m |   5.51e+07       7425.511
                        e |   1.71e+07       4134.077
                        u |   4.97e+07       7052.639

        Test: Var(u) = 0
                                  chibar2(01) =    53.65
                              Prob > chibar2 =   0.0000
```

Source: Output Stata 17

This test is applied to obtain the appropriate model, between CEM or REM to be applied in this study. The above results show a prob > chibar2 value of 0.0000, meaning that the value is lower than the significance level of 0.05 (0.0000 < 0.05), so in this test, the selected model is REM.

4.3 Classical Assumption Test

Table 5. Normality Test Result

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
eps	70	0.84762	9.379	4.868	0.00000

Source: Output Stata 17

The normality test results show a prob > z of 0.000000. This means that the probability value 0.000000 < 0.05, indicating that the data in this study is not normally distributed.

However, the Central Limit Theorem states that when the sample size is large (total n > 30), it can be assumed to be normally distributed, even though the statistical test results indicate non-normality.

Table 6. Multicollinearity Test Result

Variable	VIF	1/VIF
npm	6.83	0.146432
roa	5.98	0.167202
inflasi	3.65	0.274321
der	2.51	0.398313
eps	1.98	0.505732
nilaitukar_c	1.05	0.954638
Mean VIF	3.67	

Source: Output Stata 17

The multicollinearity test shows that the variables NPM, ROA, DER, EPS, Inflation, and exchange rate have a Variance Inflation Factor (VIF) value < 10. Therefore, it is concluded that all variables are free from multicollinearity.

Table 7. Heteroskedasticity Test Result

```
Breusch-Pagan/Cook-Weisberg test for heteroskedasticity
Assumption: Normal error terms
Variables: All independent variables

H0: Constant variance

    chi2(6) = 382.96
Prob > chi2 = 0.0000
```

Source: Output Stata 17

The heteroscedasticity test shows a prob > chi2 of 0.0000. This means that the probability value 0.000000 < 0.05, indicating the presence of heteroscedasticity in the model. However, according to Widarjono (2009) in Adzikri (2024), this condition is not a problem in panel data analyzed using REM, because the Generalized Least Squares (GLS) approach used by REM can correct heteroscedasticity internally. Thus, the model is considered valid even though there are indications of heteroscedasticity.

Table 8. Autocorrelation Test Result

```
Wooldridge test for autocorrelation in panel data
H0: no first order autocorrelation
    F(  1,      13) =     88.951
           Prob > F =      0.0000
```

Source: Output Stata 17

The autocorrelation test results show a prob > f of 0.0000, This means that the probability value 0.000000 < 0.05, indicating the presence of autocorrelation in the model. However, because the REM applied, estimated with Generalized Least Squares (GLS), is able to overcome autocorrelation and still produce efficient and unbiased estimates.

4.4. Panel Data Regression Analysis

Table 9. Panel Data Regression Analysis Result

Random-effects GLS regression — Number of obs = 70
Group variable: perusahaan — Number of groups = 14

R-squared:
Within = 0.2246
Between = 0.0211
Overall = 0.0492

Obs per group:
min = 5
avg = 5.0
max = 5

Wald chi2(6) = 13.08
corr(u_i, X) = 0 (assumed) — Prob > chi2 = 0.0418

hargasaham	Coefficient	Std. err.	z	P>|z|	[95% conf.	interval]
npm	-318.8687	237.055	-1.35	0.179	-783.4881	145.7506
roa	551.0506	249.2418	2.21	0.027	62.54558	1039.556
der	-45.65349	19.82764	-2.30	0.021	-84.51495	-6.792022
eps	1.092519	5.006069	0.22	0.827	-8.719197	10.90423
inflasi	-91.57549	410.3215	-0.22	0.823	-895.7909	712.6399
nilaitukar_c	-1.869729	1.432413	-1.31	0.192	-4.677207	.9377494
_cons	9378.885	3513.144	2.67	0.008	2493.249	16264.52
sigma_u	7052.6386					
sigma_e	4134.077					
rho	.74426882	(fraction of variance due to u_i)				

Source: Output Stata 17

The results of the analysis produced the following panel data regression equation:

SP = 9378,885 – 318,8687NPM + 551,0506ROA – 45,65349DER + 1,092519EPS – 91,57549INF – 1.869729ER

The following is an explanation of the above regression equation:

1. The constant value is recorded as 9378.885, which means that if NPM, ROA, DER, EPS, inflation, and exchange rate are all 0, then the average stock price will be 9378.885.
2. The NPM coefficient value is -318.8687, meaning that if other independent variables remain constant, a 1% growth in NPM can decrease the stock price by 318.8687.
3. The ROA coefficient value is 551.0506, which means that if other independent variables remain constant, a 1% growth in ROA can increase the stock price by 551.0506.
4. The DER coefficient value is -45.65349, which means that if other independent variables remain constant, a 1% growth in DER can decrease the stock price by 45.65349.
5. The EPS coefficient value is 1.092519, which means that if other independent variables remain constant, a 1% growth in EPS can increase the stock price by 1.092519.
6. The coefficient value for Inflation is -91.57549, indicating that if inflation, which acts as a control variable, increases by 1% and the independent variables are assumed to remain constant, then the stock price decreases by 91.57549.
7. The exchange rate coefficient value of -1.869729 indicates that if the exchange rate acts as a control variable and increases by 1% and the independent variables are assumed to remain constant, the stock price decrease by 1.869729.

4.5 Partial (t-Test)

The partial test is applied to identify how each independent variable affects the dependent variable in the regression model. To assess this effect, a comparison can be made between the calculated t-value and the t-table value. Based on the t-table calculation, the t-table value is

1.99834, while the calculated t-value is listed in Table 9. The description of the partial test results is based on Table 9 below.

1. NPM obtained a t-count value of -1.35 < t-table value of 1.99 with a probability of 0.179 which exceeds the significance level of 0.05 (0.179 > 0.05). Therefore, $H_0$1 is accepted and H_a1 is rejected, which indicates that NPM cannot significantly affect stock prices.
2. ROA obtained a t-count value of 2.21 > t-table value of 1.99 with a probability of 0.027, which is smaller than the significance level of 0.05 (0.027 < 0.05). Therefore, $H_0$2 is rejected and H_a2 is accepted, which indicates that ROA can affect stock prices positively and significantly.
3. DER obtained a t-count value of -2.30 > t-table value of 1.99 with a probability of 0.021, which is smaller than the significance level of 0.05 (0.021 < 0.05). Therefore, H0 is rejected and Ha is accepted, which indicates that DER can affect stock prices negatively and significantly.
4. EPS obtained a t-count value of 0.22 < t-table value of 1.99 with a probability of 0.827 which exceeds the significance level of 0.05 (0.827 > 0.05). Therefore, $H_0$4 is accepted and H_a4 is rejected, which indicates that EPS cannot significantly affect stock prices.
5. Inflation obtained a t-count value of -0.22 < t-table value of 1.99 with a probability of 0.823 greater than the significance level of 0.05 (0.823 > 0.05). This means that inflation cannot affect stock prices.
6. Exchange rate obtained a t-count value of -1.31 < t-table value of 1.99 with a probability of 0.192 greater than the significance level of 0.05 (0.192 > 0.05). This means that exchange rate cannot affect stock prices.

4.6 Simultaneous Test (f-Test)

The simultaneous test is used to assess whether all independent variables in the model collectively influence the dependent variable. This test involves comparing the calculated F value with the table F value. From the results of the f-table calculation, the f-table value is 2.25. In Table 9, the calculated F value is 13.08 above the F table value of 2.25 with a prob> chi2 of 0.0418 below the significance value of 0.05 (0.0418 <0.05). It means that NPM, ROA, DER, and EPS with inflation and exchange rate control variables simultaneously affect stock prices significantly.

4.7 Analysis of the Coefficient of Determination (R^2)

This test aims to measure the total variance in the dependent variable that can be explained by the variation of the independent variable. Table 9 shows the R-squared value of 0.0492 or 4.92%. This shows that financial performance proxied by NPM, ROA, DER, and EPS, with inflation and exchange rates as control variables, is able to explain 4.92% of the stock price, while the remaining 95.1% is explained by other variables outside the scope of this study.

5. Discussion

5.1 The Effect of Net Profit Margin on Stock Price

The research findings indicate that NPM does not affect stock prices. This is evidenced by the calculated t value of -1.35 which is smaller than the t table value of 1.99 (-1.35 < 1.99) with a probability of 0.179 which is greater than the significance level of 0.05 (0.179 > 0.05). Thus, it is statistically proven that NPM cannot affect stock prices. These results are inconsistent with statements in agency and signaling theory, which indicate that a high NPM

should send a strong signal to the market that the company is performing well, thereby triggering an increase in stock price movements. This may occur because NPM only indicates the company's effectiveness in generating net profit from its sales, and thus cannot explain the magnitude of returns received by investors on their stock ownership. Therefore, investors do not always use NPM as the primary indicator in deciding to invest but may consider other factors deemed appropriate in assessing the company's potential. This finding is supported by the findings of Karki et al. (2024), Septiano and Sari (2024), and Naftali et al. (2024), who found that NPM cannot affect stock prices.

5.2 The Effect Return On Assets on Stock Price

The research findings indicate that ROA can positively affect stock prices. This is evidenced by the calculated t value of 2.21 which is greater than the t table of 1.99 (2.21 > 1.99) with a probability of 0.027 less than the significance level of 0.05 (0.027 < 0.05). Thus, statistically ROA can affect stock prices. The high ROA reflects management efficiency in utilizing assets optimally. Based on agency theory, this condition indicates that managers (agents) work in line with the interests of shareholders (principals), thereby reducing potential conflicts of interest and increasing investor confidence in the quality of company performance. Meanwhile, in signal theory, high ROA is a positive signal for investors that can strengthen confidence in company performance and encourage stock demand. The findings of this study support this, showing that ROA can have a positive impact on stock prices. Therefore, ROA is not only an indicator of operational efficiency, but also an important tool in investor evaluation because it reflects the quality of managerial performance and long-term return potential. The findings of this research are consistent with Latif et al. (2021), Sukesti (2021) and Khasanah and Suwarti (2022), which show that ROA can partially have a positive and significant impact on stock prices.

5.3 The Effect Debt to Equity Ratio on Stock Price

The research findings show that DER can negatively affect on stock prices. This is demonstrated by the calculated t-value of -2.30, which is larger than the t-table value of 1.99 (-2.30 > 1.99) with a probability of 0.021, which is smaller than the significance level of 0.05 (0.021 < 0.05). Therefore, statistically, DER can have a negative impact on stock prices. DER describes a company's capital structure, particularly the ratio between debt and equity. The lower the DER, the higher the proportion of financing from debt. Based on signaling theory, a high DER can be a signal of negative performance because it indicates that the company has relatively high debt compared to its equity, which can increase financial risk and reduce investor confidence, ultimately affecting the decline in stock prices. The findings in this study support this, with the discovery that the DER has a negative effect on stock prices. Therefore, the DER not only functions as a financial indicator but also helps investors assess the extent to which management is fulfilling its responsibilities. The findings of this study are reinforced by Nagina and Othman (2024), Sihombing and Zakchona (2024) and Ernawati and Purwaningsih (2022) who found that DER can negatively affect stock prices.

5.4 The Effect Earning Per Share on Stock Price

The research findings indicate that EPS does not affect stock prices. This is evidenced by the calculated t-value of 0.22, which is smaller than the t-table value of 1.99 (0.22 < 1.99), with a probability of 0.827, which is greater than the 0.05 significance level (0.827 > 0.05). Therefore, statistically, EPS does not have a significant effect on stock prices. Although EPS

is a commonly used profitability indicator, this information cannot be the primary basis for decision-making in determining a company's stock value. Therefore, investors may consider other fundamental indicators, such as Return on Equity (ROE) or operating cash flow, as EPS is not always the primary factor influencing stock prices. The findings of this study are reinforced by Agustina and Herlinawati (2025) and Budiantini (2024), which reveal that partially EPS cannot affect stock prices.

5.6 The Effect of Inflation as a Control Variable on Stock Price

The results of the study indicate that inflation as a control variable does not have a significant effect on stock prices. This is evidenced by the t-value of -0.22, which is lower than the t-table value of 1.99 (-0.22 < 1.99) with a probability of 0.823, which is greater than the significance level of 0.05 (0.823 > 0.05). Therefore, inflation fluctuations cannot affect stock prices in the context of this research model. This finding is consistent with the findings of Sari and Riwayati (2024) and Luwihono et al. (2021), which found that inflation does not have a significant effect on stock prices.

5.7 The Effect of Exchange Rate as a Control Variable on Stock Price

The findings of the study indicate that the exchange rate as a control variable does not significantly affect stock prices. This is evidenced by the t-value of -1.31, which is lower than the t-table value of 1.99 (-1.31 < 1.99) with a probability of 0.192, which is greater than the significance level of 0.05 (0.192 > 0.05). Thus, exchange rate fluctuations do not significantly influence stock prices in the context of this research model. The findings of this study are in line with those of Saprianto and Hutabarat (2024) and Agustin et al. (2023), which show how the exchange rate does not have a significant influence on stock prices.

5.8 The Effect of NPM, ROA, DER, EPS, on Stock Prices with Inflation and Exchange Rates as Control Variables

The study findings indicate that financial performance variables proxied by NPM, ROA, DER, and EPS, as well as control variables proxied by inflation and exchange rates, collectively have a significant effect on stock prices. This finding is evidenced by a calculated f value of 13.08 > f table 2.25 and a probability value of 0.0418 < 0.05. Therefore, it can be concluded that NPM, ROA, DER, and EPS, together with inflation and exchange rates as control variables, simultaneously and significantly affect stock prices.

Financial performance, represented by NPM, ROA, DER, and EPS, plays an essential role in deciding stock prices, especially in Islamic capital markets that emphasize prudence and fundamental values. On the other hand, inflation and exchange rates also show an influence when analyzed simultaneously, although they are not significant in part.

Overall, the findings emphasize the importance of considering various factors simultaneously in stock price analysis, as the interaction between these variables can lead to more comprehensive findings on stock market dynamics. The findings also support investment decision-making in which both internal company factors and macroeconomic conditions are also considered thoroughly.

6. Conclusion, Implication, and Recommendation

This study contributes to the empirical literature on financial performance and stock prices in the context of Islamic capital markets. This study aims to analyze the effect of NPM, ROA, DER, and EPS on stock prices, considering inflation and exchange rates as control variables. The results show that, partially, ROA has a positive effect, while DER has a negative effect on

stock prices. On the other hand, NPM and EPS do not have a significant effect on stock prices. Regarding control variables, inflation and exchange rates also do not show a significant effect individually; however, when analyzed together, all independent and control variables collectively have a significant effect on stock prices.

The results of this study have important theoretical and practical implications. Theoretically, these results reinforce the idea that corporate performance metrics reflecting profitability and leverage are critical determinants in market valuation of sharia-compliant companies. In practical terms, investors are advised to pay closer attention to ROA and DER as key indicators when evaluating stock prospects, as these variables reflect operational efficiency and financial risk. For corporate managers, it is essential to optimize asset utilization and maintain a healthy capital structure in order to enhance investor confidence and company value. Within the Islamic capital market framework, these results emphasize the importance of transparency and a strong financial foundation as the basis for ethical and informed investment decisions.

This research is not without limitations. The sample is limited to companies listed on the JII, which may limit the generalization of findings to other indices or specific industry sectors. In addition, this study only considers two macroeconomic control variables, namely inflation and exchange rates, while other potentially influential factors have not been explored. Future research should expand the scope of the study by including a broader set of indices or industries, as well as additional macroeconomic variables such as interest rates, GDP growth, or non-financial factors such as consumer confidence and corporate governance. Such an expansion would allow for a more comprehensive understanding of the determinants of stock price movements in Islamic capital markets.

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