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## Stock Prices and Financial Fundamentals in Indonesia's Technology Sector during 2023–2024

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### Abstract

**Purpose** – This research seeks to examine the influence of net profit margin (NPM), earnings per share (EPS), and price to earnings ratio (PER) on Indonesian stock prices. Using the signaling theory framework, an increase in these three ratios is viewed as positive information that can reduce information asymmetry and build investor optimism regarding a company's fundamentals and growth prospects.

**Design/methodology/approach** – The population of this study consists of 47 technology sector companies listed on the Indonesia Stock Exchange (IDX) during the 2023–2024 observation period. This research sample was selected using a purposive sampling technique to ensure that only firms meeting the predetermined research criteria were included, thereby enhancing the relevance and reliability of the data analyzed.

**Findings** – The results show that NPM, EPS, and PER have a positive and significant influence on stock price.

**Originality/value** – Previous studies on the relationship between financial ratios and stock prices have produced inconsistent findings, particularly regarding EPS and PER. In addition, empirical evidence focusing specifically on Indonesia's technology sector remains limited. This study addresses this gap by examining the influence of Net Profit Margin, Earnings Per Share, and Price to Earnings Ratio on stock prices of technology companies listed on the Indonesia Stock Exchange during the 2023–2024 period.

**Research limitations/implications** – This study has several limitations. The analyst focuses only on technology firms listed on the Indonesia Stock Exchange, which restricts the generalizability of the result to other industries. Future studies may also consider including additional financial indicators or expanding the research scope to gain a more comprehensive view of stock price determinants in the technology sector.

**Keywords:** Net profit margin, earnings per share, price to earnings ratio, stock price

**Article Type:** Research paper



## Introduction

The capital market plays an important role in Indonesia's economy as a platform for the trading of various securities, such as stocks, mutual funds, and bonds, while also serving as a source of funding for companies through public offerings and as an investment vehicle for the public in various financial instruments. Stock prices in the capital market are strongly influenced by the forces of supply and demand, and this activity primarily aims to fulfill the capital needs of companies seeking business expansion and development by offering shares to investors ([Tandelilin, 2017](#); [Brigham & Houston, 2019](#); [Aufia Rachmat & Antoni, 2024](#)).

As a vital and integral component of the economic system in many countries, including Indonesia, the capital market also reflects investors' expectations regarding future macroeconomic conditions; therefore, stock price dynamics have become an important concern for the government and financial services authorities in maintaining national economic stability ([Setiawan, 2020](#)).

Changes in stock prices are generally influenced by two broad categories of factors, namely internal and external factors. Internal or fundamental factors originate from within the company and are closely related to aspects that can be managed by the firm, such as financial performance and the quality of its financial statements. In contrast, external or non-fundamental factors arise from outside the company and include macroeconomic and market-related conditions, such as interest rate movements, political developments, exchange rate fluctuations, rumors, market sentiment, and government policies ([Bimo Rentor & Mei Santika, 2024](#)).

In the midst of global uncertainty, Indonesia's economy in 2023 remained relatively stable. Data from Badan Pusat Statistik (2024, 2025) show that national economic growth reached 5.05% in 2023 and 5.03% in 2024, indicating that the economy continued to expand despite global pressures and the implementation of high-interest-rate policies. The persistence of the Fed's interest rate at 5.25 – 5.50% has created a climate of uncertainty that adversely affects Indonesian technology firms reliant on external funding and credit. This downward trend is reflected in a 25.76% contraction of the technology sector on the Indonesia Stock Exchange during 2024.

This study focuses on the 2023–2024 period because Indonesia has entered the *new normal* phase, marked by the recovery and stabilization of economic activity, business operations, and public mobility after the pandemic. Under these conditions, the technology sector was theoretically expected to show recovery. However, technology stocks in Indonesia instead experienced weakening performance and significant fluctuations.

Internal financial performance, as reflected in key ratios, significantly influences stock price movements. Investors typically utilize Net Profit Margin (NPM) to gauge profitability, Earnings Per Share (EPS) to measure shareholder returns, and the Price to Earnings Ratio (PER) to assess market valuation relative to growth ([Mujianto & Hariyanto, 2024](#); [Bimo Rentor & Mei Santika, 2024](#); [Lestari et al., 2026](#)). While the Indonesian technology sector faced recent performance challenges, its outlook remains positive, supported by an expanding startup ecosystem and accelerating digital transformation.

Research on the relationship between financial ratios and stock prices remains inconclusive. While some studies suggest that EPS has no significant influence ([Aufia Rachmat & Antoni, 2024](#); [Bimo Rentor & Mei Santika, 2024](#)), others demonstrate that PER and EPS significantly drive stock prices ([Tasyahadul Fadlatil Laili, 2024](#)). This study establishes its novelty by examining technology issuers in Indonesia from 2023 - 2024, diverging from previous work by [Karmawan \(2025\)](#) which focused on the financial sector. Given the technology sector's critical role in Indonesia's digital innovation, this study aims to provide fresh perspectives to enhance theoretical knowledge and inform future investment decisions.

## Literature Review

### The Effect of Net Profit Margin on Stock Price

Net Profit Margin (NPM) is a profitability ratio that measures a company's ability to generate net income from its total sales. A higher NPM indicates that a company is managing its operating costs efficiently, leading to greater profitability. From a signaling theory perspective, information regarding a company's profitability serves as a crucial cue for investors to evaluate its performance and future prospects.

According to [Suryaputra \(2025\)](#), Net Profit Margin reflects how effectively a company converts its sales into bottom-line profit. A rising NPM sends a positive signal to the market, suggesting sound operational performance and promising growth potential. This positive sentiment can drive investor interest, ultimately pushing the company's stock price higher.

Previous studies further support the link between profitability and stock valuation. Research by [Mujianto and Hariyanto \(2024\)](#), [Maitimu et al. \(2024\)](#) as well as [Suryaputra \(2025\)](#), demonstrates that Net Profit Margin significantly influences stock prices, as the ratio serves as a benchmark for a company's earning power and operational efficiency.

**H<sub>1</sub>:** Net Profit Margin has a positive effect on stock prices.

### The Effect of Earnings Per Share on Stock Price

Earnings per share (EPS) is a crucial profitability indicator that represents the portion of a company's net profit allocated to each outstanding share of common stock [Reken & Adiandari \(2024\)](#). As a key metric for assessing operational performance, EPS reflects management's effectiveness in generating profits for shareholders [Bimo Rentor & Mei Santika \(2024\)](#) & [Mujianto & Hariyanto \(2024\)](#).

From a signaling theory perspective, an increase in EPS sends a positive signal to investors, suggesting that the company boasts strong financial performance and the ability to generate sustainable profits in the future. This signal can bolster investor confidence, which in turn drives up market demand for the stock.

Previous studies also indicate that EPS has a significant impact on stock prices ([Hutasoit et al., 2023](#)). Research conducted by [Bimo Rentor and Mei Santika \(2024\)](#), [Juliani et al. \(2021\)](#), and [Reken and Adiandari \(2024\)](#) demonstrates that EPS serves as a vital indicator for assessing a company's profitability, thereby influencing investment decisions and stock price fluctuations in the capital market.

**H<sub>2</sub>:** Earning Per Share has a positive effect on stock prices.

### The Effect of Price to Earnings Ratio on Stock Price

Price to Earnings Ratio (PER) is a comparison between the stock price and earnings per share, indicating the extent to which investors are willing to pay for each unit of profit generated by the company. The level of the PER value can influence investor interest and impact stock price movements ([Rohadatul Aisy, 2024](#)). This ratio is used as a market indicator that compares the market price of a stock to its book value. A high PER reflects positive future performance prospects; this ratio is also known as the earnings multiplier approach, as it illustrates the relationship between stock price and company earnings.

From a signaling theory perspective, a company's financial ratios serve as vital cues to investors regarding its current health and prospects. A high Price to Earnings Ratio (PER) is often interpreted as a signal that the market holds high expectations for the company's future earnings growth. Conversely, a low PER may reflect conservative market expectations for the company's expansion. Therefore, the PER serves as a direct reflection of investor perception concerning a company's value within the capital market.

Previous studies also indicate that PER significantly influences stock prices. Research conducted by [Karmawan \(2025\)](#), [Munandar et al. \(2024\)](#), and [Rohadatul Aisy \(2024\)](#) demonstrates that the Price to Earnings Ratio can drive stock price movements, as this metric reflects market perception regarding a company's future growth potential.

H3: Price to Earnings Ratio has a positive effect on stock prices.

## Methods

This study applies a quantitative method with an associative approach, which according to Sugiyono (2020), aims to identify and explain the relationship between two or more variables. Quantitative analysis is used to test the effect of Net Profit Margin (NPM), Earnings Per Share (EPS), and Price to Earnings Ratio (PER) on stock prices of technology sector companies listed on the Indonesia Stock Exchange (IDX).

The variables used in this study consist of three independent variables and one independent variable. Net Profit Margin (NPM) is a ratio used to measure a company's ability to generate net profit from each sale. A high NPM value indicates a company's efficiency in managing revenue and expenses and reflects good profitability performance, which can increase investor confidence in the company's prospects. This ratio can be calculated using the following formula:

$$\text{Net Profit Margin} = \frac{\text{Net Profit After Tax}}{\text{Net Sales}} \times 100\%$$

Earnings Per Share (EPS) is a ratio that measures the amount of net profit a company earns for each outstanding share. A high EPS value indicates good management performance and provides a positive signal for the company's future prospects. This ratio is an important indicator for investors in assessing a company's financial performance and ability to generate profits. Mathematically, this ratio is calculated using the following formula:

$$\text{Earnings Per Share} = \frac{\text{Net Profit}}{\text{Number of Shares}}$$

The Price to Earnings Ratio (PER) measures how much investors are willing to pay for each unit of profit generated by a company. A high PER reflects a positive market signal that the company has growth potential and good financial performance, while a low PER indicates investor uncertainty about the company's prospects. This ratio reflects the level of investor confidence and expectations regarding the company's future profit prospects. This ratio is calculated by comparing the stock price to earnings per share using the following formula:

$$\text{Price to Earnings Ratio} = \frac{\text{Stock Price}}{\text{EPS}}$$

The stock price is the market value of a security, formed through the interaction of supply and demand in the market. When trading on the stock exchange has ended, the prevailing price is the closing price, which reflects the stock's final rise or fall (Bimo Rentor & Mei Santika, 2024).

Data analysis in this study was conducted using multiple linear regression analysis to examine the effect of Net Profit Margin (NPM), Earnings Per Share (EPS), and Price to Earnings Ratio (PER) on stock prices. The regression analysis aims to determine the magnitude and direction of the influence of each independent variable on the dependent variable.

The formula:

$$Y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + e$$

Y = Stock Price

a = Constant

$b_1 b_2 b_3$  = Regression Coefficients

$x_1$  = Net Profit Margin

$x_2$  = Earnings Per Share

$x_3$  = Price to Earnings Ratio

e = Error term

## Results

Descriptive statistics were used to provide a basic understanding of the characteristics and trends of the research data. Overall, the findings indicate significant variability in the financial performance of the sample companies. Table 1 shows that the NPM variable exhibited stability with an average value of 3.09975. Conversely, the average EPS of 4.54085 and PER of 6862.31 exhibited a significant gap or range of values, indicating that the market provides highly diverse assessments of technology issuers. A similar condition occurred with stock prices, which had an average of 2878.16 their high standard deviations indicate that stock price movements across sample companies tend to be heterogeneous and experience dynamic fluctuations.

**Table 1.** Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NPM	36	-0.721	54.407	3.09975	1.430834
EPS	36	-716.635	334.272	4.54085	3.646467
PER	36	-151	131.479	6.862.31	2998.368
Stock price	36	0	43000	2878.16	2540.893
Valid N (listwise)	36				

The data used in this study has passed the classical assumption test, which includes tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. Therefore, this information in this research is valid and reliable.

**Table 2.** Model Summary

Model	R	R Square	Adjusted R <sup>2</sup>	Std. Error of the Estimate
1	0.917 <sup>a</sup>	0.841	0.822	4667.972

a. Predictors: (Constant), PER, EPS, NPM

Table 2 presents the regression results showing that the R Square value is 0.841, indicating that 84.1% of the variation in stock prices can be explained by Net Profit Margin (NPM), Earnings Per Share (EPS), and Price to Earnings Ratio (PER). The remaining 15.9% is explained by other variables outside the model. The Adjusted R Square value of 0.822 indicates that the model still explains 82.2% of stock price variation after adjusting for the number of independent variables.

**Table 3.** Anova Results

Model	Sum of Squares	df	Mean Square	F	Sig.
<b>1</b> Regression	543564496.8	3	181188165.6	2.181	.108 <sup>b</sup>
Residual	2824495360	32	83073392.95		
Total	3368059857	35			

a. Dependent Variable: Harga Saham

b. Predictors: (Constant), PER, EPS, NPM

The simultaneous F-test in Table 3 reveals that Net Profit Margin (NPM), Earnings Per Share (EPS), and Price to Earnings Ratio (PER) do not collectively exert a significant impact on stock prices, as evidenced by an F-statistic of 2.181 and a significance level of 0.108. Because this significance value exceeds the 0.05 threshold, the variables fail to demonstrate a joint effect, indicating that the current regression model cannot statistically explain the variations in stock prices throughout the observation period.

## Discussion

### The Effect of Net Profit Margin on stock prices

The influence of NPM on stock prices indicates that information regarding profitability serves as a positive message regarding the company's future. Financial reports serve as a means of management transparency to reduce information asymmetry with investors. This aligns with the study by [Ariandini et al. \(2023\)](#), which showed that a positive t-coefficient confirms a unidirectional influence between NPM and stock prices. Therefore, when profitability increases, investor confidence will grow and drive stock demand, ultimately resulting in an increase in market prices.

### The Effect of Earnings Per Share on stock prices

EPS serves as a communication tool that demonstrates a company's capacity to generate net income per share. A positive EPS increase strengthens shareholder expectations of potential future returns. Furthermore, consistent EPS helps stabilize earnings expectations, thus making investment risk more manageable. This research supports the findings of [Juliani et al. \(2021\)](#) who linked high EPS to stronger financial performance.

### The Effect of Price to Earnings Ratio on stock prices

The PER (Per Share Price Index) provides an indication of market optimism regarding the sustainability of a company's earnings. A high PER ratio reflects investor confidence that the company is capable of growing faster than the industry average. This market assessment encompasses strategic aspects such as potential expansion and innovation, which are projected to strengthen the issuer's future financial position. This confidence makes investors willing to pay more for each unit of profit generated due to more manageable risk expectations. As explained by [Ariandini et al. \(2023\)](#), the PER's position as a ratio of price to earnings per share makes it a key consideration in investing. This strong growth signal effectively attracts public buying interest, which simultaneously drives stock prices in a more positive direction.

## Conclusion

This study examines the effect of Net Profit Margin (NPM), Earnings Per Share (EPS), and Price to Earnings Ratio (PER) on stock prices of technology sector companies listed on the Indonesia Stock Exchange. Based on the results of multiple linear regression analysis, the findings indicate that these financial ratios do not simultaneously have a statistically significant effect on stock prices during the observation period. This result suggests that stock price movements in the technology sector cannot be fully explained by profitability and valuation ratios alone.

This study contributes to the literature by providing empirical evidence on the relationship between financial ratios and stock prices in the Indonesian technology sector. However, the study is limited by the relatively small sample size and observation period, and future research is recommended to include a larger sample and additional variables to better explain stock price movements.

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