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THE INFLUENCE OF RETURN ON EQUITY, DEBT-TO-EQUITY RATIO, AND PRICE TO BOOK VALUE ON STOCK PRICES (IN CONSUMER CYCLICALS SUBSECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2018-2025)

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ABSTRACT

This study examines the impact of Return on Equity (ROE), Debt to Equity Ratio (DER), and Price to Book Value (PBV) on the stock prices of Consumer Cyclical companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2025. Employing a quantitative, descriptive-verificative approach, data from 16 purposively selected companies (128 observations) were analyzed using their annual financial reports from the official IDX website. The analysis involved descriptive statistics, classical assumption tests, multiple linear regression, the coefficient of determination, and hypothesis testing. The findings indicate that ROE and PBV significantly positively influence stock prices, while DER does not. These variables collectively explain 44.4% of the variation in stock prices, highlighting the relevance of financial ratios for fundamental analysis in the Consumer Cyclicals sector.

1. INTRODUCTION

The Consumer Cyclicals sector, also known as the non-essential consumer goods sector in the Indonesia Stock Exchange classification, comprises industries that produce and distribute goods and services not required for daily living. The IDX Industrial Classification (IDX-IC), officially adopted by the Indonesia Stock Exchange in 2021, identifies seven primary sub-sectors within Consumer Cyclicals: automotive and components; household goods; recreational goods; apparel and luxury items; consumer services; media and entertainment; and retail trade. The defining characteristic of this sector, distinguishing it from defensive sectors, is its pronounced sensitivity to economic cycles. As purchasing power increases, demand for non-essential products also rises. Conversely, this sector is typically the first to experience declines during periods of economic pressure. (Alfi & Suwaidi, 2023)

The consumer cyclicals sector is currently under very serious pressure on the Indonesia Stock Exchange. (IDX Channel, 2025) reported that the consumer cyclicals sector recorded a negative performance of 14.03 percent up to June 2025, while the consumer non-cyclicals sector fell by 8.07 percent in the same period. This pressure is not temporary; it reflects deep structural problems. Since the beginning of 2025, people's purchasing power has weakened due to high food inflation, frequent layoffs, and the influx of cheap imported products from China, which is pressuring the national manufacturing and retail trade industries. (Bisnis.com, 2025) added that Indonesia's first annual deflation in more than two decades, which occurred in February 2025, reflects structurally weak domestic demand. The Consumer Confidence Index also dropped to 121.1 in March 2025 from 126.4 in February 2025, marking three consecutive months of decline.

The severity and structural nature of these pressures make the Consumer Cyclicals sector a highly pertinent object of study, particularly from a fundamental investment perspective. Unlike defensive sectors, whose revenues remain relatively stable regardless of economic conditions, the Consumer Cyclicals sector exhibits heightened sensitivity to macroeconomic cycles, meaning that stock price movements in this sector reflect not only company-specific fundamentals but also collective investor responses to macroeconomic disruptions (Bodie et al., 2021) . In this context, a central question emerges: when sector-wide prices decline by more than 14 percent, does this accurately reflect a genuine deterioration in company fundamentals, or does it represent an overreaction to macro-level negative sentiment? Answering this question requires a systematic analysis of key fundamental financial ratios, namely Return on Equity (ROE), Debt to Equity

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Ratio (DER), and Price to Book Value (PBV), which collectively capture profitability, financial risk, and market valuation relative to book value (Brigham & Houston, 2024). The theoretical framework underpinning this study is Signaling Theory (Ross, 1977, as cited in Brigham & Houston, 2024), which posits that financial information disclosed by firms serves as a credible signal to the market, reducing information asymmetry between managers and investors. In a cyclically sensitive sector with elevated earnings volatility, the direction and strength of these signals become especially consequential for stock prices.

The disjunction between intrinsic performance metrics and stock price fluctuations manifests not only at the aggregated sector index level but also among individual corporate entities. For instance, PT Aspirasi Hidup Indonesia Tbk (ACES) exhibited consistent net profit escalation—from IDR 770.4 billion in 2023 to IDR 892.0 billion in 2024—coupled with a return on equity (ROE) of 13.70% and a minimal debt-to-equity ratio (DER) of 0.26. Given these fundamental indicators, one might anticipate favorable stock performance; however, ACES shares experienced a significant 64.13% decline in 2023 and a 74.32% reduction over a five-year horizon (Kontan, 2025). In contrast, PT Indomobil Sukses Internasional Tbk (IMAS) experienced a deterioration in its ROE and an escalation in its DER from 3.22 to 3.89. However, its share price increased from IDR 905 to IDR 1,140 per share. This illustration underscores the gap between theoretical predictions and actual market behavior. Stock prices reflect the market's collective assessment of a company's worth and potential growth. According to (Sinurat et al., 2022), stock prices are the equilibrium point in the capital market, driven by investor decisions influenced by economic indicators, the company's condition, and anticipated returns. For accurate stock evaluation, investors rely on key information, especially fundamental financial data about the company's health and performance.

To address this issue, a rigorous analysis of key financial ratios is required, specifically Return on Equity (ROE), Debt to Equity Ratio (DER), and Price to Book Value (PBV). These ratios directly indicate a company's ability to generate returns from equity, its financial risk exposure, and the appropriateness of its market valuation relative to book value (Brigham & Houston, 2024). ROE gauges a company's profitability by showing how well it generates net profit from shareholders' equity. A higher ROE indicates more effective use of capital to generate profits, which can shape investor perceptions and affect stock prices. Multiple studies show that ROE typically has a positive effect on stock prices. (Seep Phoby Halawa & Ridwan, 2025). However, in the healthcare sector, some reports find that ROE does not significantly affect stock prices. (Alfiyah et al., 2025). This inconsistency indicates that the connection between ROE and stock prices might vary depending on the sector and context.

DER represents the ratio of a company's total debt to its total equity. (Hery, 2023) explains that DER measures the proportion of a company's operations funded by debt relative to its own capital. The higher the DER, the greater the company's dependence on debt and the higher the financial risk it bears, where financial risk refers to the potential for a company to be unable to meet its debt obligations due to excessive leverage. Research by (Sulaiman & Herlina, 2023) and (Pariska & Berliani, 2025) found that DER has a positive and significant effect on stock prices, while (Arrosidin & Arismutia, 2026) reported that DER does not have a significant effect. In the Consumer Cyclicals sector, where companies already experience revenue fluctuations due to economic cycles, the importance of debt levels as a stock price indicator may be diminished, as investors prioritize profitability and market valuation metrics over capital structure.

PBV is a market-value ratio that compares a stock's market price to its book value per share. (Damodaran, 2024) explains that PBV reflects how much investors are willing to pay for each unit of a company's book value. (Hery, 2023) emphasizes that a high PBV usually indicates good management quality and promising profitability potential. (Irawan et al., 2023) confirm that PBV has a positive and significant impact on stock prices, whereas (Angelawati & Ginting, 2025) and (Saharani & Febriyanti, 2025) find that PBV does not have a positive and significant effect on stock prices. In the Consumer Cyclicals sector, PBV provides insight into whether investors anticipate a company will outperform its book value throughout economic cycles, potentially making it a more reliable predictor than in non-cyclical sectors.

The inconsistency of prior empirical findings across sectors constitutes a significant research gap. Most existing studies investigating return on equity (ROE), debt-to-equity ratio (DER), and price-to-book value (PBV) have focused on Consumer Non-Cyclicals or isolated sub-sectors such as food and beverages, property, and healthcare. As a result, comprehensive evidence for the Consumer Cyclicals sector, which is characterized by higher volatility and greater macroeconomic sensitivity, remains limited. Additionally, no

prior research has examined the relationship among these three variables and stock prices in the Consumer Cyclicals sector during the 2018 to 2025 period. This timeframe includes the COVID-19 pandemic shock, the subsequent inflationary recovery, and the ongoing structural contraction in demand, all of which may substantially influence how investors interpret fundamental financial signals. Therefore, this study empirically examines the effects of ROE, DER, and PBV on stock prices, both individually and collectively, in Consumer Cyclicals subsector companies listed on the Indonesia Stock Exchange from 2018 to 2025. The theoretical contribution of this research is to provide an empirical assessment of Signaling Theory in a cyclically sensitive sector during a period of significant macroeconomic disruption, thereby enhancing understanding of how investors price fundamental financial information under structural economic uncertainty.

2. METHODS

This study uses a descriptive verification method with a quantitative approach. The descriptive method is used to characterize the research variables: ROE, DER, PBV, and stock prices. In contrast, the verification method is used to test hypotheses about the impact of independent variables on the dependent variable through statistical testing (Sugiyono, 2022). The research design is causal and examines cause-and-effect relationships among the variables studied.

The population in this study comprises all companies in the Consumer Cyclicals sector listed on the Indonesia Stock Exchange, totaling 79 issuers according to the IDX-IC classification for the period 2018-2025. Samples were selected using purposive sampling, a nonprobability technique that selects units based on predetermined criteria relevant to the research objective, ensuring that all selected companies have the data completeness and consistency necessary for valid longitudinal analysis. The criteria are: (1) companies in the Consumer Cyclicals sub-sector that have been continuously listed on the IDX since before January 2018 and remained actively listed through December 2025, ensuring an uninterrupted eight-year observation window; (2) companies that published complete and audited annual financial reports for every year within the research period, without any missing reporting years; (3) companies with positive equity values throughout the entire observation period, to ensure that ROE and DER are economically meaningful and mathematically valid; and (4) companies that never experienced a stock trading suspension during the research period, to avoid distorted or unrepresentative stock price data. Of the 79 issuers in the Consumer Cyclicals sector, 63 were excluded for failing to meet one or more of the above criteria, resulting in a research sample of 16 companies and a total of 128 firm-year observations across the eight-year period.

The data consist of quantitative secondary panel data, integrating cross-sectional information (from different companies) with time-series data (over different periods). This data is sourced from annual financial reports available on the official Indonesia Stock Exchange website (www.idx.co.id) and stock price data collected from multiple accessible capital market platforms. Data gathering involved analyzing documents and tracking secondary data from reputable official sources.

This study's data analysis comprises several distinct stages. Descriptive statistics present the minimum, maximum, mean, and standard deviation for each variable, providing a foundational view of the data distribution. Classical assumption tests for normality, multicollinearity, heteroscedasticity, and autocorrelation are then conducted to confirm that the prerequisites of multiple linear regression are satisfied, ensuring valid and unbiased parameter estimates. Although the dataset is structured as panel data (16 firms × 8 years = 128 firm-year observations), this study employs pooled Ordinary Least Squares (OLS) multiple linear regression rather than fixed-effect or random-effect panel data models. This methodological choice is justified on three grounds. First, the primary objective is to identify the general directional relationship between fundamental financial ratios and stock prices across the Consumer Cyclicals sector as a whole, rather than to isolate firm-specific time-invariant effects. Second, the purposive sampling criteria—requiring positive equity, continuous listing, complete audited reporting, and no trading suspension throughout the period—were specifically designed to minimize cross-firm structural heterogeneity, substantially reducing the inter-company differences that would typically necessitate a fixed-effect specification. Third, classical assumption tests for heteroscedasticity and autocorrelation confirmed the absence of these violations in the pooled model, supporting the adequacy of OLS estimation. The authors acknowledge that pooled OLS may not fully capture all unobserved firm-level heterogeneity; future

research is encouraged to employ panel data techniques to further robustify these findings. The regression model applied is $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \varepsilon$, where Y is the stock price, X_1 is ROE, X_2 is DER, and X_3 is PBV. The Pearson correlation coefficient evaluates the strength and direction of relationships among variables. The Adjusted R^2 measures the model's explanatory power. The t-test assesses the significance of individual predictors and reports regression coefficients (B), standardized coefficients (Beta), t-statistics, significance values, and 95% confidence intervals for each predictor. The F-test examines the combined effect of all independent variables at a 0.05 significance level. All analyses were performed using SPSS version 30.

3. RESULTS AND DISCUSSIONS

Results

This study investigates how return on equity, debt to equity ratio, and price to book value affect stock prices of 16 companies in the consumer cyclicals subsector. Results from data analysis with SPSS version 30 show that the influence and contribution of each independent variable to the dependent variable are partial. The research was conducted from May to June 2026 and employed a documentation method, gathering secondary data from company annual reports published on the Indonesia Stock Exchange for 2018 to 2025.

Descriptive Statistics

Table 1. Res Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Harga Saham	128	62.0	2150.0	607.602	489.5695
ROE	128	0.07%	42.22%	10.1305%	8.05780%
DER	128	.069	2.901	.71860	.675512
PBV	128	.043	7.435	1.10567	1.232974
Valid N (listwise)	128				

Based on descriptive statistics for 128 observations, the stock price variable ranges from IDR 62 to IDR 2,150, with an average of IDR 607.60 and a standard deviation of IDR 489.57. The average value being higher than the standard deviation indicates that the stock price data is relatively centered around its mean, even though there is substantial variation across companies, reflecting significant differences in market perceptions of the issuers in this sector.

The Return on Equity (ROE) variable ranges from 0.07% to 42.22%, with an average of 10.13% and a standard deviation of 8.06%. The average ROE indicates that the sampled companies generally generate a net profit of 10.13% on total equity. A lower standard deviation than the average indicates that the sampled companies' profitability levels are relatively homogeneous.

The Debt to Equity Ratio (DER) variable has a minimum of 0.069, a maximum of 2.901, an average of 0.72, and a standard deviation of 0.68. This result shows that, on average, companies have a debt-to-equity ratio of 0.72, with data spread relatively stable and close to the average. Meanwhile, the Price to Book Value (PBV) variable ranges from 0.043 to 7.435, with an average of 1.11 and a standard deviation of 1.23. An average PBV above 1 indicates that, in general, the market values companies at a premium to their book value. However, a larger standard deviation than the average suggests a significant difference in market perceptions of the value of companies in the research sample.

Classical assumption test

Normality Test

Table 2. Normality Test (One- Sample Kolmogorov–Smirnov)

		Unstandardized Residual
N		**128**
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	360.808997
Most Extreme Differences	Absolute	.139
	Positive	.139
	Negative	-.099
Test Statistic		.139

Asymp. Sig. (2-tailed)[c]			<.001
Monte Carlo sig. (2-tailed)[d]	Sig.		<.001
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Lilliefors method based on 10000 Monte Carlo samples with starting seed 2000000.

The normality test, conducted using the Kolmogorov-Smirnov method, yielded a p-value below 0.05. However, the normality assumption can be considered acceptable in this context given the relatively large sample size of 128 observations. According to the Central Limit Theorem, a large sample size ensures that the sampling distribution approximates normality, thereby minimizing the impact of normality violations on the accuracy of regression model estimates.

Multicollinearity Test

Table 3. Multicollinearity Test

Model		Collinearity Statistics Tolerance	VIF
1	ROE	.664	1.507
	DER	.998	1.002
	PBV	.665	1.504

a. Dependent Variable: Harga Saham

The multicollinearity test results show that all independent variables possess Tolerance values greater than 0.10 and Variance Inflation Factor (VIF) values less than 10. Specifically, ROE exhibits a Tolerance value of 0.664 and a VIF of 1.507; DER demonstrates a Tolerance value of 0.998 and a VIF of 1.002; and PBV presents a Tolerance value of 0.665 and a VIF of 1.504. These findings confirm the absence of multicollinearity issues in the regression model

Heteroskedasticity Test

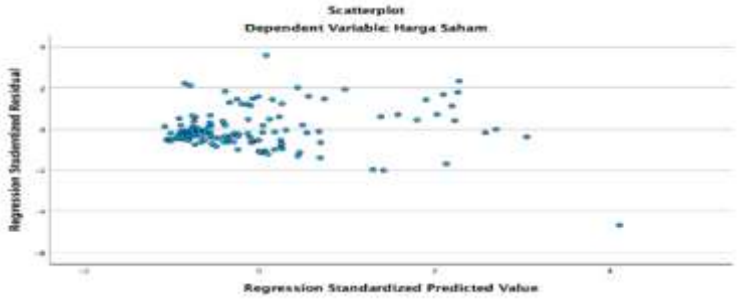

Figure 1. Heteroskedasticity Test

The scatterplot of the Regression Standardized Predicted Value versus the Regression Studentized Residual shows that the data points are randomly distributed above and below zero on the Y-axis, without forming any discernible pattern. This distribution suggests that the regression model does not exhibit heteroscedasticity.

Autocorrelation Test

Table 4. Autocorrelation Test

Model	Durbin-Watson
1	.824[a]

a. Predictors: (constant), PBV, DER, ROE
b. Dependent Variable: Harga Saham

The autocorrelation test, conducted using the Durbin-Watson method, yielded a value of 0.824. Because this value falls within the accepted range of -2 to +2, the regression model does not exhibit autocorrelation. This finding indicates that residuals from one observation do not display a systematic relationship with those from other observations. The absence of autocorrelation indicates that the regression model satisfies one of the classical assumptions of multiple linear regression. Consequently, the model's estimation results are appropriate for hypothesis testing and for drawing research conclusions.

Hypothesis Test Results

Multiple Regression Analysis

Table 5. Multiple Regression Analysis Test (T-test)

Coefficients[a]

Model		Unstandardized B	Coefficients Std. Errors	Standardized Coefficients Beta	t	Sig.
1	(Constant)	208.840	63.768		3.275	.001
	ROE	24.939	4.936	.410	5.052	<.001
	DER	-9.782	48.020	-.013	-.204	.839
	PBV	138.511	32.232	.349	4.297	<.001

a. Dependent variable: Harga Saham

Analysis of the Return on Equity (ROE) Variable Using the t-Test. The partial test results indicate that ROE has an unstandardized regression coefficient (B) of 24.939 (Std. Error = 4.936), a standardized coefficient (Beta) of 0.410, a t-value of 5.052, and a significance level of $p < 0.001$. The 95% confidence interval for the ROE coefficient is [15.17, 34.71], which entirely excludes zero, confirming the reliability and stability of the positive effect. The standardized coefficient of 0.410 indicates that ROE is the strongest individual predictor among the three variables in the model. Since $p < 0.05$, ROE exerts a positive and statistically significant effect on stock prices: a one-unit increase in ROE is associated with a 24.939-unit increase in stock price, holding other variables constant. These findings indicate that a company's ability to generate profits from shareholders' equity is directly rewarded with a higher market valuation.

The partial test results for the Debt to Equity Ratio (DER) show an unstandardized regression coefficient (B) of -9.782 (Std. Error = 48.020), a standardized coefficient (Beta) of -0.013, a t-value of -0.204, and a p-value of 0.839. The 95% confidence interval for DER is estimated at [-104.82, 85.25], a broad range that includes zero, indicating no significant directional effect. The very small Beta of -0.013 suggests DER has minimal influence on stock prices in this model. Since p is greater than 0.05, DER's effect on stock prices is not statistically significant, and the hypothesis that DER impacts stock prices is unsupported.

The partial test results for the Price-to-Book Value (PBV) variable indicate an unstandardized regression coefficient (B) of 138.511 (Std. Error = 32.232), with a standardized coefficient (Beta) of 0.349, a t-value of 4.297, and a significance level of $p < 0.001$. The 95% confidence interval for the PBV coefficient is estimated at [74.71, 202.31], which does not include zero, confirming the robustness of this positive effect. The standardized coefficient of 0.349 shows that PBV is the second strongest predictor in the model after ROE. Since $p < 0.05$, PBV has a significant positive effect on stock prices: a one-unit increase in PBV correlates with a 138.511-unit rise in stock price, assuming other variables remain constant. This suggests that market-relative valuation strongly explains stock price levels in the Consumer Cyclicals sector.

Simultaneous Test F

Table 5. Simultaneous Test (F-Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13905880.9	3	4635293.618	34.765	<.001[b]
	Residual	16533257.8	124	133332.724		
	Total	30439138.7	127			

a. Dependent variable: Harga Saham

b. Predictors: (Constant), PBV, DER, ROE

The F-test results in the ANOVA table show a calculated F value of 34.765 with a significance level of 0.000. Since this significance value is less than 0.05 (0.000 < 0.05), it can be concluded that Return on Equity (ROE), Debt to Equity Ratio (DER), and Price to Book Value (PBV) collectively exert a significant effect on stock prices. These findings demonstrate that the regression model is appropriate for explaining the relationship between the independent variables and the dependent variable and is therefore suitable for further hypothesis testing.

Test of the Coefficient of Determination (R^2)

Table 6. Analysis of the Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.676[a]	.457	.444	365.1475

a. Predictors: (Constant), PBV, DER, ROE

The Model Summary results indicate that the R-Square value is 0.457 and the Adjusted R-Square is 0.444. These values indicate that the variables ROE, DER, and PBV collectively account for 44.4% of the variation in stock prices, with the remaining 55.6% attributable to variables not included in the research model. Given the complexity of factors influencing stock prices in the capital market, such as macroeconomic conditions, market sentiment, and company policies not addressed in this model, the research model exhibits a relatively strong explanatory power.

Discussion

This study investigates how Return on Equity (ROE), Debt to Equity Ratio (DER), and Price to Book Value (PBV) affect the stock prices of Consumer Cyclical companies listed on the Indonesia Stock Exchange from 2018 to 2025. The analysis includes 128 observations across 16 companies.

The Effect of ROE on Stock Prices

The partial test results indicate that the Return on Equity (ROE) variable has a t-value of 5.052 and a significance level of 0.000. Since the p-value is less than 0.05, ROE has a positive and significant effect on stock prices. Pearson correlation analysis further supports this finding, with a correlation coefficient of 0.613, suggesting a strong relationship between ROE and stock prices. These results align with (Kasmir, 2021) Theoretical perspective that asserts higher ROE reflects improved company performance in utilizing its own capital to generate profit, thereby increasing investor trust and appreciation of the company's stock.

Empirical evidence supports this finding, as demonstrated by (Selvia & Syarif, 2024), who reported that return on equity (ROE) has a significant positive effect on stock prices. Similarly, (Komalasari & Syarif, 2025) found that ROE exerts a positive and significant impact on stock prices. A high ROE indicates management's effectiveness in using equity to generate profits, thereby enhancing investor confidence and increasing demand for stocks, ultimately leading to higher stock prices. Investors in the Consumer Cyclicals sector attach significant weight to ROE because of the sector's inherent earnings volatility. In cyclical industries, sustaining positive equity returns during downturns is a credible signal of competitive strength and operational resilience. During the macroeconomic disruptions of 2018 to 2025—encompassing the COVID-19 shock, inflationary recovery, and demand contraction—investors systematically differentiated among companies based on their capacity to maintain equity-based returns, rewarding those with higher ROE with higher market valuations. Compared with prior studies, this finding is consistent with (Selvia & Syarif, 2024) and (Komalasari & Syarif, 2025), who both confirmed a positive and significant effect on ROE. Consequently, the first hypothesis, which posits that ROE influences stock prices, is supported.

The Effect of DER on Stock Prices

The partial test results indicate that the Debt to Equity Ratio (DER) variable has a regression coefficient of -9.782, a t-value of -0.204, and a significance level of 0.839. Since the significance value exceeds 0.05, DER does not have a statistically significant effect on stock prices. The results align with (Arrosidin & Arismutia, 2026), who found DER to be insignificant in the financial sector. Several substantive explanations are offered for this finding. First, investors in the Consumer Cyclicals sector weight profitability signals (ROE) and market valuation signals (PBV) far more heavily than capital structure signals (DER), as the sector's revenue is inherently tied to consumer demand cycles rather than the ability to service debt.

Second, the macroeconomic period of 2018 to 2025 introduced extraordinary external shocks, including government-mandated loan restructuring programs and historically low interest rates following COVID-19, which temporarily de-risked high-leverage positions and effectively decoupled DER from stock price reactions during this period. Third, the wide 95% confidence interval for the DER coefficient [-104.82, 85.25] and near-zero standardized coefficient (Beta = -0.013) confirm that leverage provides essentially no incremental informational value for stock price prediction in this context. These findings contrast with those of (Sulaiman & Herlina, 2023) and (Pariska & Berliani, 2025), who found DER to be significant across different sectors and sample contexts, suggesting that DER's relevance is highly sensitive to the industry type and macroeconomic environment studied.

The Effect of PBV on Stock Prices

The partial test results show that the Price to Book Value (PBV) variable has a regression coefficient of 138.511, a t-value of 4.297, and a significance level of 0.000. Since the significance value is less than 0.05, PBV has a positive and significant effect on stock prices. The Pearson correlation coefficient of 0.587 also shows a fairly strong relationship. If PBV increases by 1 unit, the stock price will rise by Rp138.51, assuming other variables remain constant. Therefore, the third hypothesis that PBV affects stock prices is accepted. These results support the theory that PBV reflects how much investors are willing to pay per unit of a company's book value (Damodaran, 2024). A high PBV suggests that the market trusts the company's growth and management. This study also aligns with Irawan et al. (2023), who showed that PBV strongly influences stock prices. For Consumer Cyclicals, PBV is an important signal for investors because it reflects the market's expectations that a company will create value above its book value amid changing economic cycles. Unlike ROE, which measures current earnings, PBV reflects long-term value-creation potential. This makes it particularly useful when short-term earnings are suppressed by external demand shocks. From 2018 to 2025, investors who used PBV as a screening tool successfully identified companies with strong recovery prospects, especially those likely to benefit from an economic cycle upswing. This predictive power explains PBV's sustained explanatory power across various macroeconomic phases during that period. While this finding aligns with (Irawan et al., 2023), It differs from (Angelawati & Ginting, 2025), who found PBV insignificant in their sector samples. This highlights that PBV's influence as a price determinant is sector-specific.

4. CONCLUSION

This study examines the influence of Return on Equity (ROE), Debt to Equity Ratio (DER), and Price to Book Value (PBV) on stock prices in Consumer Cyclicals subsector companies listed on the Indonesia Stock Exchange from 2018 to 2025, based on 128 firm-year observations from 16 companies. The findings confirm that ROE has a positive and significant effect on stock prices (B = 24.939, Beta = 0.410, t = 5.052, $p < 0.001$; 95% CI [15.17, 34.71]), indicating that higher equity-based profitability is directly rewarded by the market with higher valuations. DER does not significantly influence stock prices (B = -9.782, Beta = -0.013, t = -0.204, p = 0.839; 95% CI [-104.82, 85.25]), indicating that leverage information carries negligible signaling value for investors in this cyclically sensitive sector during the observation period. PBV also exhibits a positive and significant effect (B = 138.511, Beta = 0.349, t = 4.297, $p < 0.001$; 95% CI [74.71, 202.31]), reflecting the importance of forward-looking market valuation as a predictor of stock prices. Collectively, the three variables explain 44.4% of stock price variation (Adjusted $R^2 = 0.444$; F = 34.765, $p < 0.001$).

From a theoretical standpoint, this study contributes to the investment and corporate finance literature by empirically validating Signaling Theory in a cyclical sector during a period of extraordinary macroeconomic disruption. The findings show that profitability signals (ROE) and market valuation signals (PBV) remain robust predictors of stock prices even amid structural economic uncertainty. In contrast, leverage signals (DER) lose informational relevance when external shocks dominate investor decision-making. This clarifies the boundary conditions of Signaling Theory in cyclical versus defensive sector contexts. From a practical standpoint, investors in the Consumer Cyclicals sector are advised to prioritize companies with strong, sustained ROE and reasonable PBV ratios when selecting stocks, as these metrics have consistently explained performance even during adverse macroeconomic conditions. Corporate

managers should focus on improving and maintaining equity returns as the primary lever for sustaining market confidence and stock prices, rather than relying on debt management as a value signal.

This study faces several limitations. Firstly, relying on pooled OLS instead of panel data regression means unobserved firm-specific differences are not fully accounted for. Secondly, 55.6% of stock price variation remains unexplained, indicating that macroeconomic factors like inflation, Bank Indonesia's benchmark interest rate, the Consumer Confidence Index, and global commodity cycles are influential but not included here. Thirdly, although the 16-company sample was carefully chosen, it may not fully reflect the diversity of the Consumer Cyclicals sector. Future studies should incorporate macroeconomic moderating variables with fundamental ratios, use panel data regression with fixed or random effects, and broaden the sample to encompass more companies of various sizes and subsectors, thereby enhancing the robustness and applicability of the results.

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