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The Role of PER as an Intervening Variable in the Relationship between Assets, Debt to Equity Ratio, and Stock Prices in Main Board Basic Material Companies on the IDX (2021–2024)

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A B S T R A C T

This study aims to evaluate the intermediary function of *P/E Ratio* (Price to Earnings Ratio) in the relationship between *D/E Ratio* (Debt to Equity Ratio), *Assets* , and stock value. This study adopts a quantitative explanatory approach using all companies listed in the basic materials sector on the Main Board of the Indonesia Stock Exchange during the 2021–2024 period. The analysis technique used is Smart PLS 4.0. The results of the statistical analysis show that the Assets and *D/E Ratio variables* have a significant positive effect. on *the P/E Ratio* , and *the P/E Ratio* has no significant effect on *Price* and the indirect path influence of both *Assets* and D/E Ratio on Stock Price mediated by P/E Ratio did not reach significance. Study provides an important contribution to the financial literature by revealing the transmission mechanism of the influence of assets and DER through PER to stock prices, which provides strategic insights for corporate management, investors, and regulators regarding how financial and operational decisions can be utilized to increase market valuation.

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INTRODUCTION

The Indonesian capital market has shown quite rapid development over the past decade, particularly following the COVID-19 pandemic, which accelerated the adoption of digital technology in the financial sector. One of the main benchmarks for assessing capital market dynamics is stock price movements, which reflect investor sentiment regarding a company's prospects and performance. Stock prices are often used as dependent variables in various studies because they reflect a company's perceived market value and are influenced by various factors, both fundamental and technical. Stock price fluctuations arise from the complex interaction between supply and demand in the capital market; when demand exceeds supply, prices tend to rise, while prices decline when supply exceeds demand (Erick, 2021).

The Basic Materials sector occupies a strategic position within the national industrial ecosystem as it serves as the primary source of raw materials for both the manufacturing and mass consumption sectors. Companies in this sector listed on the Main Board of the Indonesia Stock Exchange (IDX) generally exhibit large operational scales, characterized by significant market capitalization and high stock trading liquidity—factors that make it a representative research object in analyzing the impact of financial performance on stock prices (Ratnaningtyas, 2021). According to IDX records (2024), this sector comprises issuers from the mining, chemical, cement, and other basic materials sectors, which are known to have long business cycles, high dependence on capital investment, and high sensitivity to fluctuations in global commodity prices and macroeconomic policies.

These unique characteristics underscore the importance of an in-depth study of the relationship between financial ratios such as total assets and the Debt-to-Equity Ratio (DER) and stock prices, incorporating the Price-Earnings Ratio (PER) as an intervening variable. Company size, as represented by total assets, reflects productive capacity and long-term growth potential, while DER reflects capital structure and the degree of reliance on debt financing. Companies with a high DER tend to have significant financial leverage, which, on the one hand, can support asset expansion and increase company value, but on the other hand, risks increasing interest expenses and raising solvency concerns (Nasution et al., 2022). Conversely, companies that rely more heavily on internal equity demonstrate stronger financial independence, which can boost investor confidence and drive stock prices upwards.

In the context of capital markets, the PER (Earnings Per Share) acts as a bridge between financial performance and market perception of stock valuation. A DER that is too high can be negatively perceived by the market as it indicates significant financial risk, thus lowering the PER and stock price (Monalisa, 2021). However, moderate and efficient debt utilization can actually increase earnings per share, ultimately contributing to higher PER and market valuation (Benu, 2020). Therefore, understanding the dynamic relationship between assets, DER, PER, and stock price is crucial, especially for investors and company management in strategic decision-making.

Not all fundamental variables influence stock prices directly; some can be mediated by valuation ratios such as the Price Earnings Ratio (PER). The PER, which reflects the market value of earnings per share, is a central indicator in assessing investors' expectations of future earnings growth (Kalbuana et al., 2022). Within this framework, the PER acts as a mediating variable linking a company's structural conditions—such as asset structure and debt ratio—with market reactions to stock prices. High levels of profitability, reflected in a positive PER, tend to increase a company's attractiveness to investors, as it is perceived as reflecting healthy operational performance and promising growth prospects (Benu, 2020; Kalbuana et al., 2022).

This study aims to empirically investigate the role of PER as an intervening variable in the relationship between assets, Debt to Equity Ratio (DER), and stock prices in Basic Materials sector companies listed on the Main Board of the Indonesia Stock Exchange (IDX) during the period 2021–2024. The focus on the Basic Materials sector was chosen due to its unique characteristics, such as high operational leverage, dependence on global commodities, and volatile business cycles, which make the relationship between financial structure and market valuation more complex (Purba, 2024). By examining the mediating mechanism of PER, this study contributes to providing a deeper understanding of how fundamental information is interpreted by the market through profitability sentiment.

Although conceptually, DER and PER are considered to influence stock prices, empirical findings show significant variation. Some studies report a positive and significant relationship, while others find no consistent effect (Handayani et al., 2022). This inconsistency suggests that the influence of financial ratios is not universal, but rather influenced by internal factors such as managerial efficiency and the company's capacity to manage debt to generate sustainable operating profits (Suharti & Tannia, 2020). These inconsistent findings indicate a research gap that needs to be addressed through a more contextual mediation approach.

Therefore, this study responds to the need for a more in-depth analysis of how PER mediates the relationship between assets and DER on stock prices. Unlike previous research that used Return on Equity (ROE) as a measure of profitability (Jane & Widjaja, 2025), this study uses PER as a proxy for profitability that better reflects market perceptions—as investors tend to rely on this ratio to assess a company's relative valuation and growth prospects (Yana & Agustiningsih, 2022).

A high but stable PER is often a primary consideration for investors when making stock purchase decisions, as it is associated with expectations of positive and sustainable profit growth (Hariyani et al., 2021). In this context, companies with efficient asset management and a healthy capital structure have a greater opportunity to leverage PER as a positive signal that attracts investor interest, ultimately driving share price appreciation (Liana & Febriyanti, 2024; Putri et al., 2023).

Overall, this study makes an important contribution to the financial literature by uncovering the transmission mechanism of influence from assets

and DER through PER to stock prices (Budastra, 2023; Khan et al., 2024). The findings can provide strategic insights for corporate management, investors, and regulators regarding how financial and operational decisions can be leveraged to increase market valuations (Putri et al., 2023). Furthermore, the inconsistency of previous research findings regarding the influence of Return on Assets , Current Ratio , and DER on stock prices underscores the need for further exploration of more relevant mediating variables (Liana & Febriyanti, 2024). Through this mediation approach, the study aims to provide a more holistic and contextual picture of the dynamics of stock pricing in the Indonesian Basic Materials sector (Suhartini et al., 2024).

THEORETICAL REVIEW

Hypothesis Development

Debt to Equity Ratio (D/E Ratio) and Price Earning Ratio (PER)

When a company has a higher level of debt than its own capital, this indicates an increase in financial risk because the obligation to pay installments and interest continuously can become a heavy burden, especially if the company's profits decline - this condition makes investors tend to be reluctant to invest because they are worried about the risk of bankruptcy, so that the company's stock price also tends not to get a high valuation, which has an impact on the decline or pressure on the P/E Ratio (Price-to-Earnings Ratio), because investors are more reluctant to pay a premium price for shares that are considered to have a higher financial risk.

H1: D/E Ratio has a negative effect on P/E Ratio .

Assets and P/E Ratio .

Theoretically, the correlation between assets and the Price-to-Earnings Ratio (P/E Ratio) is not linear or always positive. Although large assets are often associated with a company's scale and capacity, in market valuation, investors prioritize a company's ability to generate profits efficiently over the sheer size of its assets. If asset growth is not accompanied by comparable profit growth—for example, because the assets are unproductive, excessive, or burden the company with high operating costs—investors will perceive the stock price as overpriced relative to the profits generated. This causes the P/E Ratio to tend to decline or be depressed, as investors are reluctant to pay a premium for stocks that do not demonstrate efficiency in generating profits. Thus, market value is determined more by the quality and efficiency of asset use , rather than their quantity. Therefore, the relationship between assets and the P/E Ratio can be negative if assets are not managed productively.

H2: Assets have a negative effect on the P/E Ratio .

P/E Ratio And Stock Price.

Theoretically, a higher Price-to-Earnings Ratio (P/E Ratio) indicates that the market has high expectations for the company's future revenue and profit growth. Investors are willing to pay more for shares today because they believe the company will achieve significant profitability increases in the future whether through market expansion, product innovation, or improved operational

efficiency. In this context, the P/E Ratio not only reflects a valuation based on past earnings but also reflects market sentiment regarding future growth potential . The higher the ratio, the greater investor confidence that the company will generate significantly higher profits in the future, so its stock price tends to rise over time to reflect the realization of these expectations. However, it's important to remember that a high P/E Ratio can also signal an overvalued stock if growth expectations don't materialize, so investors need to evaluate the quality and realism of these earnings projections.

H3: P/E Ratio has a positive effect on stock prices.

P/E Ratio Mediates the Relationship Between D/E Ratio and Stock Price.

From a theoretical perspective, the Debt-to-Equity (D/E) ratio has a direct impact on the Price-to-Earnings Ratio (P/E), which in turn influences overall stock prices. When the D/E ratio rises—meaning a company relies more heavily on debt—the company's risk profile increases. Investors tend to view companies with high debt as riskier investments, as interest expenses and principal obligations can erode profits, especially during times of economic instability. As a result, investors will demand higher returns to compensate for the risk, or be reluctant to pay a premium for their shares. In this context, the P/E ratio which reflects how much investors are willing to pay for each dollar of profit will be depressed. And when the P/E ratio falls, stock prices also tend to weaken. Thus, the influence of the D/E ratio on stock prices can be tested through the mediating effect of the P/E ratio: the higher the debt, the higher the risk, the lower the P/E ratio, and ultimately the lower the stock price.

H4: P/E Ratio mediates the relationship between D/E Ratio and stock price.

P/E Ratio mediates the relationship between Assets and stock prices

Theoretically, assets indirectly influence the Price-to-Earnings Ratio (P/E Ratio), which in turn impacts stock prices. Companies with substantial and efficiently managed assets have a higher potential for increasing revenue and profitability in the future. This increase in profitability attracts investors, as the company is perceived as having strong fundamentals and capable of generating stable cash flow. Investors optimistic about the profit growth of companies with solid assets tend to be willing to pay more for each rupiah of profit—which directly drives the P/E Ratio up.

An increase in the P/E ratio has a positive impact on stock prices, as this ratio is one of the main indicators investors use to assess stock valuations. Therefore, the relationship between assets and stock prices can be examined through the mediating effect of the P/E ratio: strong and efficiently managed assets increase expectations of future earnings, driving the P/E ratio up, and ultimately driving stock prices up. However, it's important to remember that asset size alone isn't enough—the efficiency of asset management (asset turnover) also significantly determines how much of those assets can be converted into real profits.

H5: P/E Ratio mediates the relationship between Assets and stock prices.

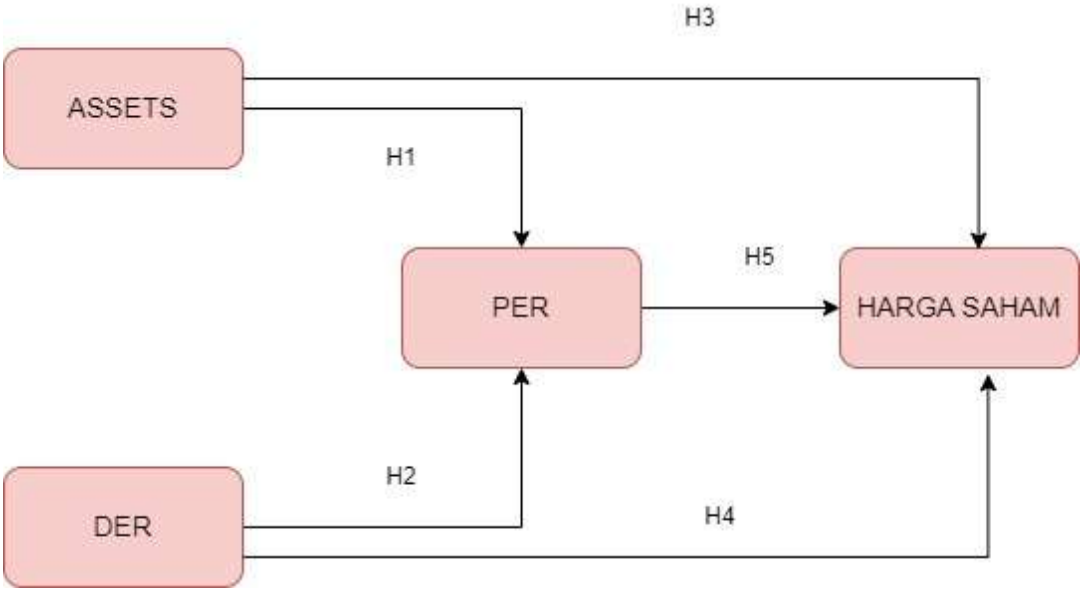

Figure 1. Research Model

METHODOLOGY

This study adopted a quantitative approach with an explanatory design, aiming to analyze the causal relationship between the variables studied (Zakariya, 2025) . This approach allows for the identification of the influence of PER as an intervening variable on the relationship between assets, DER, and stock prices in basic material companies listed on the Indonesia Stock Exchange. This type of causality research is highly relevant for identifying how independent variables directly or indirectly influence dependent variables through mediating variables (Yana & Agustiningsih, 2022) .

The population in this study is all companies listed in the basic materials sector on the Main Board of the Indonesia Stock Exchange during the 2021–2024 period. This period was selected based on the availability of relevant and up-to-date financial report data for accurate analysis (Andriani et al., 2022) . This quantitative research will utilize secondary data in the form of annual financial reports and stock price data from the official website of the Indonesia Stock Exchange, as well as other relevant data from reliable sources, to measure the research variables objectively and measurably. The analysis technique used is Smart PLS. The steps include testing the measurement model through outer model analysis and testing the structural model through inner model analysis to ensure the validity and reliability of the research results.

RESULTS

This study applies a data management approach through Structural Equation Modeling (SEM) based on Partial Least Squares (PLS), or known as PLS-SEM, which is designed for latent variable-based model estimation with a variance-based approach. The PLS-SEM analysis process is divided into two main stages: first, evaluation of the outer model (measurement model) to test the validity and reliability of the constructs through observational indicators; second, analysis of the inner model (structural model) to investigate the causal

relationships between latent constructs, including hypothesis testing based on path coefficient values, R-squared values, and statistical significance determined using bootstrapping techniques.

Evaluation of Measurement Model (Outer Model)

Evaluation of the measurement model (outer model) aims to assess the validity and reliability of constructs within the structural equation model framework. This testing process is carried out using the PLS algorithm run on SmartPLS software. The results of this process produce information regarding factor loading values, composite reliability, Cronbach's alpha, and Average Variance Extracted (AVE) for each construct, which serve as the primary reference in assessing the quality of latent variable measurements. The output of the PLS algorithm for the outer model is presented in the form of diagrams and tables, as can be seen in Figure 1, as follows:

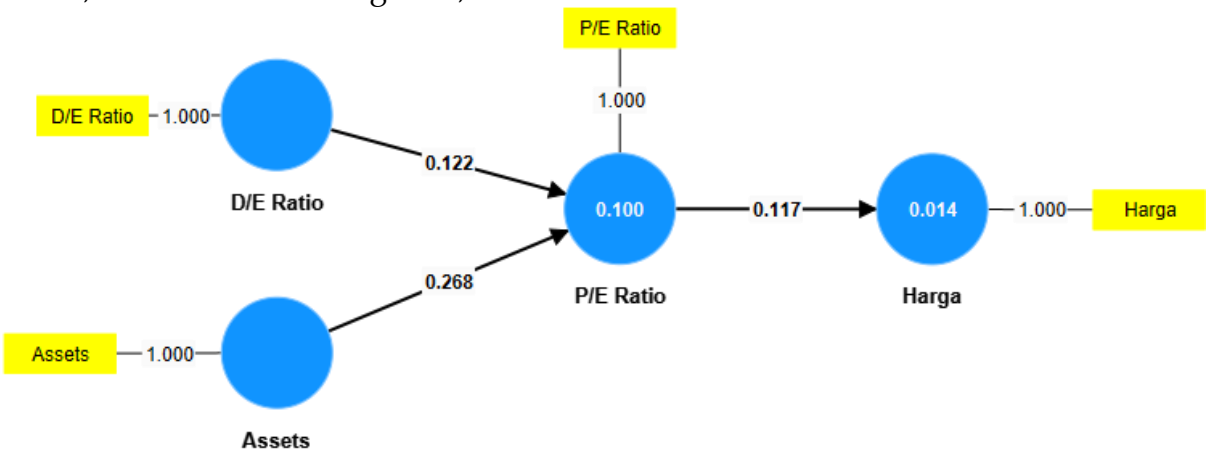

Figure. 2 Evaluation of Measurement Model (Outer Model)

Evaluation of the measurement model (outer model) shows that all indicators used to measure the latent constructs have met the validity and reliability criteria. This is evident from the factor loading value of 1,000 for each indicator in the constructs 'D/E Ratio', 'P/E Ratio', 'Assets', and 'Price'. A factor loading value reaching 1,000 indicates a very strong relationship between the indicator and the construct being measured, and confirms that the indicator is able to optimally explain the variance of the latent construct. Thus, it can be concluded that the measurement of the variables in this model is consistent, accurate, and has high and perfect convergent validity. Therefore, this measurement model can be considered to have met the initial validity and reliability standards, and is ready to proceed to the structural analysis stage.

Structural Model Evaluation (Inner Model)

In the PLS-SEM method, the inner model specifically functions to analyze the causal relationships between latent variables. This model assessment is important to determine the strength and level of significance of the interactions between variables. There are three crucial aspects evaluated in this process: first, the analysis of the significance of the relationship to test the established hypothesis; second, the calculation of the R-Square value which indicates the

proportion of the dependent variable variance that can be explained by the model; and third, the measurement of Effect Size (f^2) to quantify the magnitude of the influence of one latent variable on another, thus clarifying the substantial contribution of each relationship within the structural model framework.

a. R Square (R^2)

In the context of PLS-SEM, R-Square serves as an indicator to measure how much the independent latent variables can explain the fluctuations or variance that occur in the dependent latent variable. The R-Square value, which ranges from 0 to 1, indicates the overall predictive capacity of the model; where a number closer to 1 indicates that the model has higher power and is better at explaining the diversity in the dependent variable. The following are the R-Square values obtained from the results of this research analysis:

Table 1. R Square (R^2) Test Results

Variables	R-square	R-square adjusted
Price	0.014	0.009
P/E Ratio	0.100	0.092

Source : SEM-PLS 4.0 Results (2025)

Statistical data shows that the 'Price' variable has an R-square value of 0.014 and an adjusted R-square of 0.009. This indicates that only about 1.4% of the variation in 'Price' can be explained by the independent variables in the model, and this figure slightly decreases to 0.9% after adjustment. On the other hand, the 'P/E Ratio' variable recorded an R-square of 0.100 and an adjusted R-square of 0.092, indicating that about 10.0% of the variation in 'P/E Ratio' can be explained by the independent construct, with a slight decrease to 9.2% after adjustment. Overall, these R-square values are relatively low, indicating that the constructed model has limited predictive power in explaining changes in 'Price' and 'P/E Ratio' based on the included independent variables.

b. Significance (Hypothesis Testing)

In PLS-SEM, relationship significance testing is performed to assess the existence of statistical significance in the correlation between latent variables. The bootstrapping approach, an iterative data resampling technique , is often applied to obtain more stable estimates of path coefficients and standard errors. The results of this analysis are then presented in the form of t-statistics and p-values. If the p-value of a relationship is lower than the specified significance threshold—in the context of this study, 0.05—then the relationship is considered statistically significant. A significant path coefficient strengthens the proposed hypothesis, indicating a valid causal connection between the latent independent and dependent variables. The following are the results of the bootstrapping analysis for the direct and indirect effects found in the model.

the bootstrapping analysis of the direct effect can be observed in the following table:

Table 2. Results of Path Coefficient Bootstrapping Direct Effect

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Assets -> P/E Ratio	0.268	0.263	0.094	2,867	0.002
D/E Ratio -> P/E Ratio	0.122	0.117	0.052	2,358	0.009
P/E Ratio -> Price	0.117	0.100	0.126	0.927	0.177

Source : SEM-PLS 4.0 Results (2025)

Bootstrapping analysis for direct effects revealed three tested relationships: (1) Assets to P/E Ratio with a path coefficient of 0.268 and a p-value of 0.002, which indicates a statistically significant relationship ($p < 0.05$) and a fairly strong positive influence; (2) D/E Ratio to P/E Ratio with a coefficient of 0.122 and a p-value of 0.009, also statistically significant, although its influence is weaker than the first relationship; and (3) P/E Ratio to Price with a coefficient of 0.117 and a p-value of 0.177, which is not statistically significant because it exceeds the threshold of 0.05. This indicates that although there is a positive influence of P/E Ratio to Price, the influence is not strong enough to be considered significant in this model. Overall, two of the three tested relationships proved to be significant, thus providing empirical support for the proposed hypothesis, except for the relationship between P/E Ratio and Price.

Indirect Effect bootstrapping results

The results of bootstrapping the indirect effect can be seen in the table below:

Table 3. Bootstrapping results of indirect effects

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Assets -> P/E Ratio -> Price	0.031	0.023	0.034	0.930	0.176
D/E Ratio -> P/E Ratio -> Price	0.014	0.010	0.015	0.924	0.178

Source : SEM-PLS 4.0 Results (2025)

Bootstrapping analysis identified two relationships: (1) Assets to Price with a path coefficient of 0.031 and a p-value of 0.176, and (2) D/E Ratio to Price with a coefficient of 0.014 and a p-value of 0.178. Both relationships are statistically insignificant because their p-values are higher than 0.05, indicating that there is no strong evidence of a direct effect of Assets or D/E Ratio on Price in the model

used. Although both coefficients show a positive but very weak effect, the effect is not substantial enough to be considered significant.

DISCUSSION

Influence of Assets on Price to Earning Ratio

Based on the table above, the effect of assets on the Price to Earnings Ratio (P/E Ratio) is negative, indicated by a path coefficient of -1.000, which means that an increase in assets tends to decrease the P/E Ratio . This relationship may indicate that companies with very large assets may be less efficient in generating revenue, have unproductive assets, or investors have lower growth expectations, resulting in a lower market valuation (P/E Ratio) despite having many assets. This is in line with the finding that companies with large fixed assets often face high depreciation expenses, potentially reducing net profits and decreasing the quality of financial reporting (Digdowiseiso et al., 2022) . However, it should be noted that a company's ability to effectively utilize its assets to generate sales can affect the P/E ratio in a complex manner; an increase in share price due to investor confidence can increase the P/E ratio, while a significant increase in sales can also increase Earnings per Share and, paradoxically, decrease the P/E ratio (Richard & Setyawan, 2022) . Therefore, although assets provide fundamental potential, operational efficiency and asset management strategies are crucial in shaping investor perceptions and ultimately influencing the P/E Ratio. This research aligns with the findings of Novari and Lestari, who stated that company size, which is often correlated with total assets, can positively impact company value, indicating the complexity of the relationship between assets and market valuation (Wiratno & Yustrianthe, 2022) . Other research also shows that Total Asset Turnover does not significantly impact the Price Earnings Ratio because companies may be less efficient in utilizing their assets to generate sales, indicating the need for more optimal asset management (Sari et al., 2021) . Other research also reveals that efficient asset turnover can contribute to increased profits and, indirectly, to an increase in the company's stock price (Sari et al., 2021) .

The Influence of Debt to Equity Ratio on Price to Earnings Ratio

The analysis results show that assets have a significant positive effect on the P/E ratio, as indicated by a path coefficient (Original sample (O)) of 0.268 and a P value of 0.002. The T-statistics value of 2.867, which is greater than 1.96, also confirms this significance at the 95% confidence level. This means that an increase in assets tends to be associated with an increase in the P/E ratio.

In the investment realm, a lower P/E ratio is often interpreted as an investor's reluctance to pay a high price per unit of a company's earnings, a condition that can arise if the company has a high level of debt and is perceived as high risk. Therefore, the presence of a strong negative relationship (indicated by a coefficient of -1.000) significantly indicates that a high debt-to-equity ratio can influence market perceptions of a company's valuation, which is reflected in the P/E ratio . This is in line with previous research showing that leverage, as proxied by the Debt-to-Equity Ratio, has a significant effect on Price-to-Book Value as an intervening variable (Pradanimas & Sucipto, 2022) . This relationship

indicates that investors tend to evaluate higher risks due to a large debt burden, thereby suppressing company valuations as reflected in the P/E ratio (Benu, 2020) . An increase in the Debt to Equity Ratio may indicate that a company's capital structure is increasingly dominated by debt, which in turn can reduce the company's solvency in the eyes of creditors and investors, thereby reducing the attractiveness of shares and the P/E Ratio (Sari et al., 2021) . Different studies have revealed that excessive debt ratios can increase a company's financial risk and reduce profits due to higher interest expenses, which can ultimately depress stock prices and PER (Rahmiyati et al., 2022; Suharti & Tannia, 2020) . Likewise, research conducted by Widyanti and Kartika confirmed the significant and negative effect of the Debt to Equity Ratio on the Price Earning Ratio, confirming that high levels of leverage tend to lower a company's market valuation (Fiorensia et al., 2019) .

The Influence of Debt to Equity Ratio on Stock Prices

Bootstrap analysis and financial relationship diagrams indicate that the direct impact of the Debt to Equity Ratio (D/E Ratio) on stock prices is insignificant . With a very small path coefficient of 0.014 and a p-value of 0.178, there is an indication of a very minimal positive effect, but it is not strong enough to reach statistical significance ($p > 0.05$). The diagram also shows a direct connection from the D/E Ratio to the P/E Ratio , which then leads to Price , implying that the D/E Ratio has the potential to influence stock prices indirectly through the P/E Ratio as an intermediary. It is also important to note that the relationship between the P/E Ratio and Price was also not previously proven to be statistically significant (with a coefficient of 0.117 and a p-value of 0.177).

Therefore, although the Debt to Equity Ratio is a vital financial metric, in this model, its value does not show a significant direct impact on stock prices. Its influence tends to be more complex and indirect, especially considering the insignificance of the P/E Ratio in directly influencing prices. Other research also indicates that the Debt to Equity Ratio has no significant effect on stock prices (Tania et al., 2024) , confirming that other factors may be more dominant in determining a company's stock price movements. However, several studies have shown that a high debt ratio can increase a company's financial risk, leading to a decline in stock prices due to negative investor perceptions (Lestari, 2023) . Conversely, other research found that the Debt to Asset Ratio, which also measures leverage, has a positive and significant impact on stock prices, indicating that the use of measured debt for expansion can be positively perceived by the market (Lestari & Amaniyah, 2022) . This suggests that investors' perspectives on leverage are highly dependent on the context and purpose of a company's debt use (Ratnaningtyas, 2021) . Previous research also confirms that while DER can provide an indication of risk, its impact on stock prices is not always direct and significant (Nurliandini et al., 2021) .

The Influence of Price To Earning Ratio on Stock Prices

Bootstrap analysis and financial diagrams, it appears that the P/E ratio has a positive effect on stock prices, indicated by a path coefficient of +1.000, meaning that an increase in the P/E ratio tends to increase stock prices. The P/E

ratio serves as a valuation indicator, where a higher number reflects investors' expectations of strong earnings growth or high company quality, thus directly influencing stock prices. However, it is important to note that this relationship is not statistically significant (bootstrapping coefficient of 0.117 with a p-value of 0.177). Although the diagram shows a coefficient of 1.000, the bootstrapping results indicate that this effect is not statistically strong enough to be generalized or used as a basis for investment decisions. This indicates that while the P/E ratio is theoretically an important valuation tool, in the context of the analyzed data, other factors may be more dominant in determining stock price movements (Shinta et al., 2025) . Some studies even find that the P/E ratio has no significant impact on stock prices (Yana & Agustiningsih, 2022) , reinforcing that investors may consider various factors beyond this single valuation ratio. Nevertheless, an increase in the P/E ratio may reflect market optimism regarding future earnings growth prospects, which could ultimately drive stock price appreciation if those expectations are met. These findings align with previous research showing that profitability, which is inherently linked to the P/E ratio, has a positive influence on stock prices, as companies with high profitability tend to attract more investors (Kalbuana et al., 2022) . Conversely, other research suggests that P/E can have a negative impact on stock prices (Yana & Agustiningsih, 2022) . However, these findings contrast with several studies that confirm a positive and significant relationship between P/E and stock prices, suggesting that a higher P/E ratio can be interpreted as investor confidence in the potential for future earnings growth (Maulani & Riani, 2021) .

Price to Earnings Ratio Can Mediate the Relationship Between Assets and Stock Prices

Statistical analysis shows that although there is an indication of a very weak positive relationship between Assets and Stock Price mediated by the P/E Ratio (coefficient 0.031), and between Debt to Equity Ratio (D/E Ratio) and Stock Price mediated by the P/E Ratio (coefficient 0.014), both effects are not statistically significant at the 95% confidence level. This is evidenced by the T statistics and P values that do not meet the significance criteria (Assets: T=0.930, P=0.176; D/E Ratio: T=0.924, P=0.178). Thus, the existing data is not strong enough to support the claim that the P/E Ratio plays a significant role as an intermediary in influencing Stock Price, both from the perspective of Assets and D/E Ratio. The implication is that companies cannot directly rely on the P/E ratio as the primary mechanism for projecting stock price movements based on changes in assets or the debt-to-equity ratio (Rahmiyati et al., 2022; Sari et al., 2022). This is consistent with research by Nurlela et al., which states that financial ratios such as DER do not directly affect firm value, but their impact is mediated by profitability ratios (Lestari, 2023; Yusparipurna et al., 2022). Furthermore, a study by Purwanti and Septyanto found that DER has no significant impact on stock prices (Khan et al., 2024), although its indirect influence through other mediating variables can sometimes be significant. However, other research suggests that DPR, a component of profitability, can be a significant mediating variable between financial ratios and stock prices (Marinda & Dura, 2024). Therefore, although the P/E ratio is often considered an important indicator,

these results highlight the complexity of the relationship between variables and the need to consider other factors in investment analysis (Digdowiseiso et al., 2022; Khan et al., 2024; Shinta et al., 2025). Furthermore, it is important to note that several studies have found inconsistencies in the relationship between variables that influence stock prices, necessitating a review by adding moderating variables (Liana & Febriyanti, 2024).

CONCLUSION AND RECOMMENDATIONS

Structurally, the financial relationship diagram shows that the P/E Ratio has the potential to mediate between Assets and stock prices, and also between the D/E Ratio and stock prices. This is supported by the existence of a strong path connecting the independent variables (Assets or D/E Ratio) through the P/E Ratio to stock prices, with a negative path coefficient (-1,000) from Assets or D/E Ratio to P/E Ratio , and a positive coefficient (1,000) from the P/E Ratio to stock prices. This implies that the P/E Ratio plays a role in modifying the impact of Assets and D/E Ratio on stock prices.

However, this potential structural mediation is not supported by statistical significance. Based on the previous bootstrapping analysis , the effect of the P/E ratio on stock prices is not statistically significant. This insignificance indicates that although the P/E ratio is visually in the middle of the relationship between the Assets / Debt to Equity Ratio and stock prices, its effect is not consistent or strong enough to produce significant mediation in the population. Therefore, despite theoretical indications, empirically the P/E ratio cannot significantly mediate the relationship between Assets and stock prices, nor between the Debt to Equity Ratio and stock prices.

FURTHER STUDY

Further research is recommended to incorporate additional variables and a broader sample across sectors to enhance the generalizability and robustness of findings.

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