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Financial Ratios and Stock Prices: The Moderating Role of Firm Size in Indonesia's Restaurant, Hotel, and Tourism Sector

Nadira Diva Meinandri¹, Fanny Suzuda Pohan².

¹Trilogi University, Jakarta, Indonesia, nadira.diva2@gmail.com

²Trilogi University, Jakarta, Indonesia, fannysuzuda.pohan@trilogi.ac.id

Corresponding Author: nadira.diva2@gmail.com¹

Abstract: This study aims to analyze the effects of the current ratio, debt-to-equity ratio, and return on equity on stock prices, with firm size as a moderating variable, in restaurant, hotel, and tourism subsector companies listed on the Indonesia Stock Exchange during 2022–2024. The study is motivated by the decline in stock prices despite the post-pandemic recovery of tourism-related operating activity. A quantitative associative approach was employed using secondary data from annual financial statements and year-end stock prices. The sample was selected through purposive sampling, resulting in 23 companies and 69 firm-year observations. Panel data regression and moderation analysis were performed using EViews. The results show that the current ratio is not significant in the basic and firm-size models, but becomes positive and significant in the moderation model. The debt-to-equity ratio has a negative and significant effect, while return on equity has a positive and significant effect across the models. Firm size has no direct significant effect on stock prices but significantly moderates all three relationships. It weakens the effects of the current ratio and return on equity and strengthens the effect of the debt-to-equity ratio. Firm size therefore functions as a pure moderator.

Keyword: Current Ratio, Debt to Equity Ratio, Return on Equity, Firm Size, Stock Price.

Indonesian Abstract: Penelitian ini bertujuan untuk menganalisis pengaruh current ratio, debt-to-equity ratio, dan return on equity terhadap harga saham, dengan ukuran perusahaan (firm size) sebagai variabel moderasi, pada perusahaan subsektor restoran, hotel, dan pariwisata yang terdaftar di Bursa Efek Indonesia selama periode 2022–2024. Penelitian ini dilatarbelakangi oleh penurunan harga saham meskipun terdapat pemulihan aktivitas operasional terkait pariwisata pascapandemi. Pendekatan kuantitatif asosiatif digunakan dengan memanfaatkan data sekunder dari laporan keuangan tahunan dan harga saham akhir tahun. Sampel dipilih melalui metode purposive sampling, yang menghasilkan 23 perusahaan dan 69 observasi (firm-year observations). Regresi data panel dan analisis moderasi dilakukan menggunakan perangkat lunak EViews. Hasil penelitian menunjukkan bahwa current ratio tidak berpengaruh signifikan pada model dasar dan model ukuran perusahaan, tetapi menjadi berpengaruh positif dan signifikan pada model moderasi. Debt-to-equity ratio berpengaruh negatif dan signifikan, sedangkan return on equity berpengaruh positif dan signifikan di

seluruh model. Ukuran perusahaan tidak memiliki pengaruh langsung yang signifikan terhadap harga saham, tetapi secara signifikan memoderasi ketiga hubungan tersebut. Ukuran perusahaan memperlemah pengaruh current ratio dan return on equity, serta memperkuat pengaruh debt-to-equity ratio. Oleh karena itu, ukuran perusahaan berfungsi sebagai moderasi murni (pure moderator).

Kata Kunci: Rasio Lancar, Rasio Utang terhadap Ekuitas, Imbal hasil Ekuitas, Ukuran Perusahaan, Harga Saham.

INTRODUCTION

The restaurant, hotel, and tourism subsector is part of the consumer cyclical sector and is highly sensitive to changes in economic conditions, purchasing power, mobility, macroeconomic stability, and consumer confidence. During 2022–2024, the subsector entered a post-pandemic recovery phase. Statistics Indonesia reported an improvement in domestic tourism activity, while hotel occupancy in Jakarta also recovered toward the end of 2024. Nevertheless, the recovery was not uniform throughout the year because hotel occupancy remained subject to seasonal fluctuations. The thesis data show that occupancy fell to 43.47% in April 2024 and reached 62.05% in December 2024.

The operating recovery was not accompanied by a comparable stock-market response. The average stock price of companies in the restaurant, hotel, and tourism subsector declined from 502.67 in 2022 to 409.44 in 2023 and 314.42 in 2024. This divergence between improving tourism activity and declining stock prices indicates that investors may respond not only to operating recovery but also to company-specific financial fundamentals and broader economic conditions. Global inflationary pressure, relatively high interest rates, and exchange-rate uncertainty further increased the sensitivity of consumer-cyclical stocks during the period.

Financial ratios provide information that investors can use to evaluate a company's liquidity, capital structure, and profitability. The current ratio reflects the ability to meet short-term obligations, the debt-to-equity ratio reflects the relative use of debt financing, and return on equity reflects the ability to generate earnings from shareholders' equity. In signaling theory, published financial information can reduce information asymmetry and provide signals to investors about the condition and prospects of a company (Spence, 1973). Efficient market theory further suggests that available information is incorporated into stock prices as market participants respond to new information (Fama, 1970).

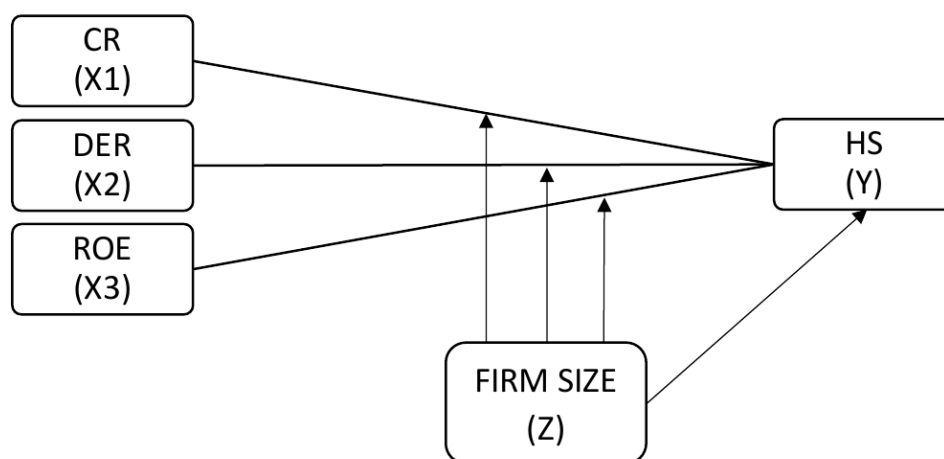
Prior empirical evidence remains inconsistent. Hamdana et al. (2024), Pattinama (2025), Liana and Febriyanti (2024), and Ariantara et al. (2021) report positive relationships between liquidity and stock prices, whereas Kumaralita et al. (2025), Sugandi and Kasir (2024), and Rizky et al. (2025) report negative or insignificant relationships. Evidence for leverage is similarly mixed, with Liana and Febriyanti (2024) finding a positive relationship and Darman and Djayanti (2022) and Sugandi and Kasir (2024) finding a negative relationship. Profitability also produces mixed findings across studies. These inconsistencies indicate that the relationship between financial ratios and stock prices may depend on the sector, period, and characteristics of the firms examined.

Firm size may explain part of this inconsistency because company size can influence how investors interpret financial signals. Larger companies may have greater operating stability, broader financing access, and stronger market credibility, potentially changing the strength of the relationship between financial ratios and stock prices. Existing moderation studies also

report mixed evidence. Pattynama (2025), Kumaralita et al. (2025), Liana and Febriyanti (2024), Darman and Djayanti (2022), and Lestari and Rahayu (2024) show moderation in selected relationships, whereas Hamdana et al. (2024), Hidayatulloh et al. (2024), and Nisa and Meihendri (2025) report limited or no moderation. More recent evidence also indicates that firm size can alter the relationship between financial performance and market valuation in Indonesian firms (Tarmidi et al., 2026).

Based on these conditions, this study examines the effects of the current ratio, debt-to-equity ratio, and return on equity on stock prices and tests whether firm size moderates those relationships in restaurant, hotel, and tourism subsector companies listed on the Indonesia Stock Exchange during 2022–2024. The study contributes sector-specific evidence from a post-pandemic recovery period and provides an empirical assessment of whether firm size changes the way investors respond to financial information.

The conceptual relationship among the variables is presented in Figure 1.



Source: Adapted from Sugiyono (2023)

Figure 1. Conceptual Framework

METHOD

This study uses a quantitative associative research design. The research population consists of restaurant, hotel, and tourism subsector companies listed on the Indonesia Stock Exchange during 2022–2024. Secondary data were collected through documentation of annual financial statements and year-end stock prices.

Purposive sampling was applied using four criteria: companies had to be listed in the subsector during the observation period, consistently publish annual financial statements, not be included in the Acceleration Board or Special Monitoring Board during the period, and not contain outlier observations. From an initial population of 46 companies, 23 companies met the criteria, producing 69 firm-year observations.

The independent variables are current ratio, debt-to-equity ratio, and return on equity; stock price is the dependent variable; and firm size is the moderating variable. Stock price is measured by the year-end closing price. Current ratio is current assets divided by current liabilities, debt-to-equity ratio is total liabilities divided by total equity, return on equity is net income after tax divided by total equity, and firm size is the natural logarithm of total assets.

Panel regression was conducted through three models. Model 1 estimates the direct effects of the three financial ratios. Model 2 adds firm size as a direct explanatory variable. Model 3 adds the interaction terms between firm size and each financial ratio to test

moderation. Chow, Hausman, and Lagrange Multiplier tests were used for model selection, followed by multicollinearity and heteroskedasticity tests. The final estimations use the Random Effect Model for the three analytical models, consistent with the final thesis results.

Table 1. Operational Definitions and Measurement of Variables

Variable	Operational definition	Measurement	Scale
Current Ratio (CR)	Ability to meet short-term obligations using current assets	Current Assets / Current Liabilities	Ratio
Debt to Equity Ratio (DER)	Debt financing relative to shareholders' equity	Total Liabilities / Total Equity	Ratio
Return on Equity (ROE)	Ability to generate earnings from equity	Net Income after Tax / Total Equity	Ratio
Stock Price (HS)	Market value represented by the year-end closing price	Year-end Closing Price	Nominal
Firm Size (FS)	Company scale based on total assets	Ln(Total Assets)	Nominal

Source: Adapted from Gitman (2012) and the research design.

Table 2. Sample Selection

Criteria	Companies excluded	Number
Initial population	—	46
Not listed during 2022–2024	(7)	39
Did not consistently publish annual reports	(5)	34
Included in the Acceleration or Special Monitoring Board	(7)	27
Contained outlier observations	(4)	23
Final sample	—	23
Firm-year observations (23 × 3 years)	—	69

Source: Indonesia Stock Exchange data, processed by the researcher.

RESULTS AND DISCUSSION

Descriptive Statistics

The final dataset consists of 69 balanced panel observations from 23 companies over three years. The descriptive statistics indicate substantial variation across firms, particularly in liquidity, leverage, and stock prices. The variation is consistent with the heterogeneous financial conditions of companies operating in a consumer-cyclical subsector during post-pandemic recovery.

Table 3. Descriptive Statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev.
Stock Price	606.7391	172.0000	9,725.0000	45.0000	1,273.5620

Current Ratio	1.586942	1.027000	13.05000	0.050000	2.135738
Debt to Equity Ratio	0.550623	0.440000	6.450000	-8.970000	1.710620
Return on Equity	0.063783	0.040000	2.243275	-0.939600	0.340000

Source: EViews 14 output, processed by the researcher.

Panel Model Selection and Diagnostic Tests

The model-selection tests in the final thesis identify the Random Effect Model as the appropriate estimator for the analytical models. For Model 1, the Hausman test supports the random-effects specification used in the final regression. For Model 2, the Hausman probability is 0.8814 and the Lagrange Multiplier test indicates that Random Effect Model is preferable to Common Effect Model. For Model 3, the Hausman probability is 0.8957 and the Lagrange Multiplier probability is 0.0192, again supporting Random Effect Model. The diagnostic tests indicate no multicollinearity or heteroskedasticity problems under the criteria applied in the thesis.

For the moderation model, the correlation between each financial ratio and its corresponding interaction term remains below the 0.90 threshold used in the study: 0.8962 for current ratio with CR×FS, 0.8995 for debt-to-equity ratio with DER×FS, and 0.8955 for return on equity with ROE×FS. The heteroskedasticity probabilities for the variables and interaction terms are all above 0.05. Thus, the model is considered suitable for hypothesis testing.

Regression Results

Table 4. Regression Results Across the Three Models

Variable	Model 1 Coef.	Model 1 p	Model 2 Coef.	Model 2 p	Model 3 Coef.	Model 3 p
Current Ratio	10.0613	0.2503	10.4516	0.2102	192.0362	0.0408
Debt to Equity Ratio	-17.4614	0.0327	-17.2341	0.0356	-1353.6400	0.0042
Return on Equity	10.6827	0.0001	10.7962	0.0001	104.4991	0.0005
Firm Size	—	—	5.4631	0.3177	-0.4370	0.9769
Current Ratio × Firm Size	—	—	—	—	-6.3848	0.0438
Debt to Equity Ratio × Firm Size	—	—	—	—	47.4368	0.0058
Return on Equity × Firm Size	—	—	—	—	-3.8171	0.0005

Source: EViews 14 output, processed by the researcher.

Effect of Current Ratio on Stock Price

In Model 1, current ratio has a positive coefficient of 10.0613 with a probability value of 0.2503, indicating no significant effect on stock price. In Model 2, after firm size is added, the coefficient remains positive at 10.4516 but remains insignificant with a probability value of

0.2102. In Model 3, after the interaction between current ratio and firm size is introduced, the coefficient of current ratio becomes 192.0362 with a probability value of 0.0408, indicating a positive and significant effect. Thus, the direct current-ratio result changes when the moderating structure is incorporated.

This result suggests that liquidity information is not sufficiently strong on its own to influence stock prices in the first two specifications. Once firm size is considered through the interaction structure, liquidity becomes statistically meaningful. Under signaling theory, a stronger current ratio can communicate greater short-term financial capacity. However, investors may interpret that signal differently depending on company scale. The significant interaction coefficient of -6.3848 indicates that firm size weakens the marginal effect of current ratio on stock price. Therefore, the positive direct coefficient in Model 3 should be interpreted together with the significant moderation effect rather than as a universal effect independent of firm size.

Effect of Debt to Equity Ratio on Stock Price

Debt to equity ratio consistently has a negative and significant effect across all three models. The coefficient is -17.4614 with a probability value of 0.0327 in Model 1, -17.2341 with a probability value of 0.0356 in Model 2, and -1353.6400 with a probability value of 0.0042 in Model 3. The consistency of the direction indicates that greater reliance on debt relative to equity is associated with lower stock prices in the sampled companies.

The finding is consistent with signaling theory because higher leverage can be interpreted as a negative signal when it increases financial obligations and perceived risk. Investors may therefore demand greater compensation for risk or reduce their demand for highly leveraged stocks. The interaction between debt to equity ratio and firm size is positive and significant at 47.4368 with a probability value of 0.0058. This indicates that firm size strengthens the relationship between leverage and stock price. In the context of the study, larger firms make leverage-related information more consequential to the market response.

Effect of Return on Equity on Stock Price

Return on equity has a positive and significant effect on stock price in all three models. Its coefficient is 10.6827 with a probability value of 0.0001 in Model 1, 10.7962 with a probability value of 0.0001 in Model 2, and 104.4991 with a probability value of 0.0005 in Model 3. The consistent positive relationship indicates that investors respond positively to the company's ability to generate earnings from shareholders' equity.

A higher return on equity can function as a positive financial signal because it reflects the effectiveness of management in using shareholders' capital to generate profit. This finding is in line with studies such as Ariantara et al. (2021), Sugandi and Kasir (2024), and Yuliana and Santoso (2025), although the broader literature remains mixed. The interaction coefficient between return on equity and firm size is -3.8171 with a probability value of 0.0005. Thus, firm size significantly weakens the positive effect of return on equity on stock price. For larger firms, investors may rely on additional information beyond profitability, such as growth prospects, industry conditions, and business strategy.

Direct Effect of Firm Size on Stock Price

Firm size has no significant direct effect on stock price. In Model 2, its coefficient is 5.4631 with a probability value of 0.3177. In Model 3, after the interaction terms are included, the coefficient is -0.4370 with a probability value of 0.9769. The direction therefore changes, but the effect remains statistically insignificant. The result indicates that asset scale alone is not sufficient to explain stock-price variation in the sampled restaurant, hotel, and tourism companies.

Although larger firms may generally have greater resources and market credibility, investors in this subsector appear to place greater emphasis on financial fundamentals and the information conveyed by liquidity, leverage, and profitability. The insignificant direct effect is

also important for interpreting the moderation results because it supports the classification of firm size as a pure moderator in the interaction framework used by the study.

Moderating Role of Firm Size in the Current Ratio–Stock Price Relationship

The interaction between current ratio and firm size is negative and significant, with a coefficient of -6.3848 and a probability value of 0.0438. Firm size therefore moderates the relationship between current ratio and stock price by weakening it. The direct effect of firm size is insignificant in Model 3, while the interaction term is significant, so firm size operates as a pure moderator. The finding indicates that as company size increases, the incremental contribution of liquidity information to stock-price formation becomes weaker.

Moderating Role of Firm Size in the Debt to Equity Ratio–Stock Price Relationship

The interaction between debt to equity ratio and firm size is positive and significant, with a coefficient of 47.4368 and a probability value of 0.0058. Firm size therefore strengthens the relationship between leverage and stock price. Because the direct firm-size effect remains insignificant while the interaction is significant, firm size is classified as a pure moderator. This result suggests that the market response to leverage information is more pronounced when interpreted in the context of company size.

Moderating Role of Firm Size in the Return on Equity–Stock Price Relationship

The interaction between return on equity and firm size is negative and significant, with a coefficient of -3.8171 and a probability value of 0.0005. Firm size therefore weakens the positive relationship between return on equity and stock price. The result implies that profitability remains relevant, but its marginal influence becomes smaller for larger companies because investors may incorporate other information when evaluating established firms. Since firm size has no significant direct effect and its interaction is significant, it functions as a pure moderator.

Overall Model Performance

The moderation model provides the highest explanatory power among the three specifications. The adjusted R-squared is 95.37% for Model 1, 95.35% for Model 2, and 97.54% for Model 3. The Model 3 F-statistic has a probability value of 0.0000, indicating that the financial ratios, firm size, and interaction terms jointly have a significant relationship with stock price. The increase in explanatory power after the interaction terms are introduced supports the relevance of incorporating firm size into the analysis of stock-price determinants in this subsector.

CONCLUSION

This study examined the effects of current ratio, debt-to-equity ratio, and return on equity on stock prices, with firm size as a moderating variable, in restaurant, hotel, and tourism subsector companies listed on the Indonesia Stock Exchange during 2022–2024. The results show that the current ratio is not significant in the basic and firm-size models but becomes positive and significant in the moderation model, indicating that the liquidity signal becomes relevant when company size is considered. The debt-to-equity ratio has a consistently negative and significant effect across the three models, while return on equity has a consistently positive and significant effect. Firm size has no significant direct effect on stock price but significantly moderates all three relationships: it weakens the effects of current ratio and return on equity and strengthens the effect of debt-to-equity ratio. Because firm size has no direct significant effect while all three interaction terms are significant, it functions as a pure moderator. Overall, the findings indicate that investors in this subsector respond not only to financial ratios individually but also to the context in which those signals are presented, particularly company size. The study therefore supports the use of a moderation framework to explain variation in stock-price responses during the post-pandemic recovery period.

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