

ABSTRACT

Financial ratios serve as key indicators in evaluating a company's performance and play an important role in guiding investors' decision-making. However, in practice, the relationship between financial performance and stock returns is not always direct, as it is influenced by market perceptions reflected in firm value. This study aims to examine the effect of financial ratios on stock returns with firm value as an intervening variable in primary consumer goods sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

This study adopts a quantitative approach using panel data analysis processed with Stata. The variables include Current Ratio (CR), Return on Assets (ROA), Net Profit Margin (NPM), and Debt to Equity Ratio (DER), while firm value is proxied by Price to Book Value (PBV). The sample consists of 33 companies selected using purposive sampling.

The results indicate that financial ratios do not have a significant effect on firm value, suggesting that PBV is more influenced by external factors beyond internal financial performance. Meanwhile, ROA and PBV are found to have a significant effect on stock returns, whereas NPM, DER, and CR do not show significant effects. Furthermore, PBV is able to mediate the relationship between ROA, NPM, and DER and stock returns, but fails to mediate the effect of CR. These findings highlight that profitability and capital structure play a more dominant role in shaping market perception compared to liquidity, indicating that not all financial indicators carry equal relevance in determining stock returns.

Keywords: *financial ratios, price to book value, stock returns, current ratio, return on assets, net profit margin, debt to equity ratio.*