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# ACCOUNTING INFORMATION VALUE RELEVANCE, FINANCIAL DISTRESS, AND STOCK PRICE BEHAVIOR: EMPIRICAL EVIDENCE FROM INDONESIAN LISTED BANKS

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**Abstract**
This study aims to analyze the effect of the value relevance of accounting information, which is proxied by earnings, book value, and cash flows, as well as financial distress, on stock prices of banking sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The fluctuations in stock prices in the post-pandemic period and differences in financial performance among banks motivated the need to re-examine the role of accounting information and financial distress in influencing firm value in the capital market. This research employs a quantitative approach using multiple linear regression analysis. The data used are secondary data consisting of annual financial statements and stock price data obtained from the official IDX website and published company reports. The sample was selected using a purposive sampling method based on predetermined criteria. The results show that earnings have a significant effect on stock prices, indicating that profitability information remains a key consideration for investors in assessing a company's prospects. Book value is also found to have a significant effect on stock prices, suggesting that equity position is perceived by the market as an important indicator of a firm's fundamental value. Meanwhile, cash flows do not have a significant effect on stock prices, implying that investors in the banking sector tend to place greater emphasis on accrual-based indicators than on cash-based indicators. Financial distress has a negative and significant effect on stock prices, meaning that higher levels of financial pressure reduce investor confidence, which in turn leads to a decline in stock prices. These findings reinforce signaling theory, which states that financial information disclosed by companies provides important signals for investors in making investment decisions.

Keywords: Earnings, Book Value, Cash Flows, Financial Distress, Stock Price

## 1. Introduction

Stock price serves as a critical indicator for investors in assessing corporate performance and future prospects. According to Jogiyanto (2010), stock prices are formed through the interaction of market supply and demand, influenced by all available information concerning the company. Tandelilin (2010) further posits that a stock's price reflects its market-assessed value, encapsulating investor expectations about the firm's future trajectory. These prices fluctuate due to a complex interplay of internal (firm-specific) and external (macroeconomic and environmental) factors.

Internal determinantssuch as profitability, earnings per share (EPS), price-to-earnings ratio (PER), capital structure, liquidity, and dividend policyare intrinsically linked to a company's fundamental health. Strong profitability and a high EPS typically enhance a firm's attractiveness to investors by signaling robust earning capacity. Similarly, a sound capital structure, good liquidity, and a stable dividend policy project financial stability

and positive prospects, thereby supporting stock price appreciation (Sari & Riwayati, 2024; Alwi, 2003 in Patar, 2014). External determinants, often beyond managerial control, include macroeconomic conditions (e.g., economic growth, inflation, interest, and exchange rates), government policies, industry regulations, and geopolitical stability. These factors collectively shape market sentiment and, consequently, influence stock price movements (Yudistira, 2020; Sari & Riwayati, 2024).

The significance of understanding stock price drivers was profoundly underscored by the COVID-19 pandemic, which delivered a severe shock to all economic sectors, including banking. The pandemic triggered unprecedented uncertainty, crippled economic activity, and escalated credit risk. Data from IDX Channel (2020) reported a 30.63% year-to-date plunge in Indonesia's financial sector index in March 2020, driven by market panic and deep concerns over national economic stability. Shares of major banks like Bank Rakyat Indonesia (BBRI) and Bank Mandiri (BMRI) witnessed significant declines amid fears of surging non-performing loans and compressed profit margins. Although the sector began showing signs of recovery during the 2022–2024 period, facilitated by monetary policy easing, revived economic mobility, and systematic credit restructuring (OJK, 2024), the rebound in stock prices has been uneven and remains susceptible to a multitude of firm-specific and broader economic factors.

In this context, accounting information plays a pivotal role in shaping investor expectations and valuations. Relevant and reliable accounting data is essential for investors to determine a stock's intrinsic value. As outlined in the Statement of Financial Accounting Concepts (SFAC) No. 2 by the FASB, information is deemed relevant if it possesses the capacity to influence the economic decisions of financial statement users (Kieso, Weygandt, & Warfield, 2019). The primary components of value-relevant accounting information are earnings, book value, and cash flows (Wulandari & Setiawan, 2020). Earnings serve as a key proxy for profitability and a firm's ability to generate future cash flows (Scott, 2015). Book value represents the shareholders' equity as recorded on the balance sheet and provides a baseline valuation, especially when earnings are volatile (Ohlson, 1995). Cash flows from operations offer a more objective measure of a company's liquidity and financial sustainability, being less susceptible to accounting manipulation than earnings (Harahap, 2011).

However, a comprehensive valuation model must also account for corporate risk, particularly the state of Financial Distress. Financial Distress denotes a condition where a company experiences severe financial hardship, potentially leading to insolvency or bankruptcy. Firms in distress typically suffer from eroding investor confidence, which is directly reflected in declining stock prices as the market prices in heightened risk (Pratama & Lestari, 2021). The post-pandemic period saw many banks grappling with deteriorating asset quality due to rising non-performing loans. Despite regulatory support for credit restructuring, some institutions continued to exhibit warning signs of Financial Distress, adversely impacting their market valuation (OJK, 2023).

A review of prior literature reveals a notable gap. While numerous studies have examined the individual or partial impact of accounting information (e.g., earnings, book value) on stock prices (e.g., Septiani, 2021; Wulandari & Setiawan, 2020), and others have investigated the determinants of Financial Distress (e.g., Pratama & Lestari, 2021), there is a scarcity of research that integrates these critical value and risk signals into a unified explanatory model for stock prices. This omission is particularly salient for the banking sector in a post-crisis environment, where both performance metrics and solvency risks are under intense scrutiny.

This study, therefore, aims to bridge this gap by investigating the influence of earnings, book value, cash flows, and Financial Distress on the stock prices of banking companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The banking sector is selected due to its systemic importance in the national economy, its distinct financial reporting characteristics (e.g., reliance on net interest income, high leverage, and credit risk exposure), and the availability of high-quality, audited data under the strict supervision of the Financial Services Authority (OJK) (Ben Gamra & Plihon, 2011).

The expected contributions of this research are twofold. Theoretically, it seeks to advance the value-relevance literature by developing and testing an integrated model that simultaneously incorporates fundamental accounting metrics and a critical risk factor, providing a more holistic understanding of stock price formation in the banking industry. Practically, the findings are intended to offer valuable insights for investors conducting fundamental analysis, for financial analysts building valuation models, and for regulators like OJK in monitoring market stability and institutional risk.

## 2. Theoretical Background

### 2.1 Grand Theory: Signaling Theory

The grand theory underpinning this study is Signaling Theory, as introduced by Spence (1973). This theory posits that in markets characterized by information asymmetry, where company management possesses superior internal information compared to external investors, management uses various signals to convey information about firm quality and future prospects (Spence, 1973). Financial reports serve as a primary channel for these signals. As Brown, Call, and Lee (2020) note, signaling is a strategic approach where management, holding an informational advantage, communicates through disclosures to influence stakeholder perceptions and reduce uncertainty.

For a signal to be effective, it must be credible and based on verifiable performance metrics rather than manipulation (Rahman & Salim, 2024). Positive signals, such as strong earnings growth or high profitability, are associated with enhanced investor confidence and higher valuations. Conversely, negative signals, like indicators of Financial Distress (e.g., deteriorating liquidity or solvency ratios), erode investor trust and can precipitate stock price declines. Thus, consistent and transparent reporting of earnings, cash flows, and financial position is interpreted as a positive signal that supports stock prices (Susanti & Permadi, 2023; Gunawan, 2020).

### 2.2 Value Relevance of Accounting Information

Value relevance refers to the ability of information produced by an accounting system to influence the economic decisions of users, particularly investors, and to be reflected in security prices (Junaidi, 2020; Sunaryo, 2021). Information is deemed value-relevant if it has a statistically significant association with stock prices or firm market value (Putri & Fadila, 2022). It measures the extent to which accounting data is useful and trustworthy for investors in estimating firm value (Hidayat & Rahmat, 2021; Suyanto & Rahmawati, 2022).

This study focuses on three primary components of value-relevant accounting information:

1) Earnings: Represents the net result of a company's operations. High and stable earnings signal strong profitability and lower investment risk, making them a crucial indicator for investors (Rahayu & Sari, 2020). It will be measured by Earnings Per Share (EPS).

2) Book Value: Represents shareholders' equity as recorded on the balance sheet. It acts as a fundamental benchmark for assessing whether a stock is under or overvalued. An increasing book value per share signals growth in net worth, which is perceived positively by the market (Handayani & Salim, 2020; Syamsul & Azhari, 2023). It will be measured by Book Value Per Share (BVPS).
3) Cash Flow: Indicates a company's ability to generate cash from core operations. Cash flow is often considered a more reliable and less manipulable measure of liquidity and financial sustainability than earnings (Purwanti & Setiawati, 2021; Safitri & Rahadian, 2021). It will be measured by Operating Cash Flow Per Share (CPS).

2.3 Financial Distress

Financial Distress is a condition where a company experiences severe financial hardship and struggles to meet its short-term and long-term obligations as they come due, increasing the risk of bankruptcy (Brigham & Houston, 2019; Altman, 1968). It is a process marked by a continuous decline in financial performance, often signaled by worsening liquidity, solvency, and profitability ratios (Zahra & Fitriani, 2021; Sari, 2021). Companies in distress suffer from diminished investor confidence, leading to reduced demand for their shares and consequent stock price depreciation (Juwita & Rahmat, 2021; Pratama & Lestari, 2021).

To measure Financial Distress, this study employs the Altman Z-Score model (Altman, 1968), a widely recognized predictive tool for bankruptcy risk. For publicly traded companies, the Z-Score is calculated as:

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$$

Where:
$X_1$ = Working Capital / Total Assets
$X_2$ = Retained Earnings / Total Assets
$X_3$ = Earnings Before Interest and Taxes (EBIT) / Total Assets
$X_4$ = Market Value of Equity / Book Value of Total Liabilities
$X_5$ = Sales / Total Assets

A lower Z-Score indicates a higher probability of Financial Distress.

2.2 Hypothesis Development

Based on the integration of Signaling Theory and the concepts of value relevance and Financial Distress, the following hypotheses are developed:

1) Drawing from Signaling Theory, the combined information from earnings (profitability signal), book value (net worth signal), cash flow (liquidity signal), and the Z-Score (risk signal) provides a comprehensive picture of a firm's health and prospects. Investors use this aggregate information to make decisions, which is ultimately reflected in stock price movements (Spence, 1973; Hanafi, 2017; Julianto & Rahmat, 2020). *H1: The value relevance of earnings, book value, cash flow, and Financial Distress jointly has a significant effect on stock prices.*
2) Earnings are a primary signal of operational performance and future profitability. Higher earnings reduce information asymmetry by signaling strong management and favorable prospects, thereby increasing investor demand and exerting upward pressure on stock prices (Spence, 1973; Sari, 2022). *H2: The value relevance of earnings has a positive and significant effect on stock prices.*
3) Book value provides a fundamental anchor for a firm's net asset value. A high or increasing book value per share signals a strong financial position and stability, which

is interpreted by investors as a positive signal, leading to higher valuations (Penman, 1996; Anggreni, Astuti, & Saputra, 2023). *H3: The value relevance of book value has a positive and significant effect on stock prices.*

4) Cash flow signals a company's real ability to generate liquid resources, fund operations, and service obligations. Strong positive cash flows are a credible signal of financial health and sustainability, boosting investor confidence and supporting higher stock prices (Ben Gamra & Plihon, 2011; Fiali & Indrati, 2022). *H4: The value relevance of cash flow has a positive and significant effect on stock prices.*
5) Financial Distress acts as a potent negative signal to the market. Indicators of distress increase perceived investment risk and uncertainty about a firm's future. In response, investors are likely to divest or avoid the stock, decreasing demand and leading to lower stock prices (Brigham & Houston, 2019; Julianto & Rahmat, 2020). *H5: Financial Distress has a significant effect on stock prices.*

## 3. Methods

### 3.1 Research Design

This study employs a quantitative research design to examine the causal relationships between the defined independent and dependent variables. Quantitative methods are appropriate for measuring and statistically analyzing these relationships to test predefined hypotheses (Sugiyono, 2018). The analysis utilizes panel data regression, which is suitable for investigating the influence of multiple independent variables simultaneously and partially on a single dependent variable across entities and time.

### 3.2 Population and Sample

The population consists of all banking sector companies listed on the Indonesia Stock Exchange (IDX). The sample was selected using purposive sampling with the following criteria to ensure data consistency and completeness: (1) listed consecutively on the IDX from 2020 to 2024; (2) published complete annual reports for the entire period; (3) not delisted during the observation period; (4) possessed complete data for all research variables.

**Table 1**. Sample Selection Criteria

| No. | Selection Criteria | Number of Companies | Cumulative |
|---|---|---|---|
| 1 | Banking companies listed on IDX (2020–2024) | 45 | 45 |
| 2 | Companies publishing consecutive annual reports (2020–2024) | 44 | 44 |
| 3 | Companies with complete data for all research variables | 42 | 42 |
| Final Sample Firms | | | 42 |
| Observation Period (Years) | | | 5 (2020–2024) |
| Total Firm-Year Observations (Balanced Panel) | | | 210 |

### 3.3 Data Collection

Secondary data were collected through documentation. The primary sources were:

1) Audited annual financial reports (income statement, balance sheet, cash flow statement) obtained from the IDX website (www.idx.co.id) and company websites.
2) Annual closing stock price data sourced from the IDX and financial platforms (e.g., Yahoo Finance).

3.4 Operational Definition and Measurement of Variables

**Table 2**. Variable Operationalization and Measurement

| Variable | Symbol | Definition | Measurement | Scale | Source |
|---|---|---|---|---|---|
| Stock Price | Y | The market's valuation of a company's equity at year-end. | Year-end closing stock price (in IDR). | Ratio | IDX, Yahoo Finance |
| Earnings | $X_1$ | Profitability signal; net income attributable to common shareholders. | Earnings Per Share (EPS) = Net Income / Number of Outstanding Shares. | Ratio | Income Statement |
| Book Value | $X_2$ | Net asset value signal; shareholders' equity. | Book Value Per Share (BVPS) = Total Equity / Number of Outstanding Shares. | Ratio | Balance Sheet |
| Cash Flow | $X_3$ | Liquidity signal; cash generated from core operations. | Cash Flow Per Share (CPS) = Operating Cash Flow / Number of Outstanding Shares. | Ratio | Cash Flow Statement |
| Financial Distress | $X_4$ | Risk signal; the probability of bankruptcy. | Altman Z-Score (for non-manufacturers): $Z = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$ Where: $X_1$=WC/TA, $X_2$=RE/TA, $X_3$=EBIT/TA, $X_4$=BVE/TL. A lower score indicates higher distress. | Ratio | Balance Sheet & Income Statement |

3.5 Data Analysis Technique

The data analysis employed an integrated sequence of methods, beginning with descriptive statistics to profile all variables. The primary analysis utilized panel data regression (encompassing the Common Effect, Fixed Effect, and Random Effect models) on 210 firm-year observations to test the hypothesized relationships. The most appropriate model was selected through a systematic procedure using the Chow, Hausman, and Lagrange Multiplier tests. Prior to hypothesis testing, the selected model was verified for classical assumptions (normality, multicollinearity, heteroscedasticity, autocorrelation). Finally, hypotheses were tested using the F-test for simultaneous effects, t-tests for partial effects, and the coefficient of determination (Adjusted $R^2$) to assess model fit, with all analyses conducted in EViews 13.

## 4. Results and Discussion

4.1 Descriptive Statistical Analysis

The descriptive statistics for all research variables are presented in Table 1. The analysis is based on 210 firm-year observations (42 banks over 5 years). The data show considerable variation across all variables, indicating heterogeneity within the banking sector sample.

**Table 3**. Descriptive Statistics of Research Variables

| Variable | Mean | Median | Maximum | Minimum | Std. Dev. | Skewness | Kurtosis | Jarque-Bera (Prob.) |
|---|---|---|---|---|---|---|---|---|
| Stock Price | 1,890.19 | 882.50 | 16,000.00 | 50.00 | 2,421.52 | 2.19 | 9.21 | 0.0000 |
| Earnings | 108.74 | 22.21 | 1,100.00 | -129.32 | 180.18 | 2.41 | 10.69 | 0.0000 |
| Book Value | 1,543.01 | 841.12 | 9,609.60 | 15.97 | 1,863.05 | 1.87 | 6.19 | 0.0000 |
| Cash Flow | 248.19 | 44.94 | 5,103.20 | -938.15 | 631.27 | 3.27 | 21.10 | 0.0000 |
| Financial Distress | 3.13 | 0.61 | 358.72 | -0.30 | 25.00 | 13.83 | 196.90 | 0.0000 |

Source: Processed secondary data, 2025

The large differences between mean and median values for Stock Price, Earnings, and Cash Flow suggest asymmetric distributions influenced by high-performing outliers. The high standard deviations confirm significant variability, justifying the use of panel data analysis to account for firm-specific heterogeneity.

## 4.2 Panel Data Regression: Model Selection and Estimation

### 4.2.1 Model Selection Tests

A systematic model selection procedure was conducted to determine the most appropriate estimator.

**Table 4**. Panel Data Model Selection Test Results

| Test | Hypothesis | Statistic (Prob.) | Conclusion |
|---|---|---|---|
| Chow Test | $H_0$: Common Effect vs. $H_1$: Fixed Effect | Cross-section F: 7.0878 (0.0000) | Reject $H_0$. Fixed Effect is better than Common Effect. |
| Hausman Test | $H_0$: Random Effect vs. $H_1$: Fixed Effect | Chi-Sq. Statistic: 35.6360 (0.3809) | Fail to reject $H_0$ (Prob. > 0.05). Random Effect is preferred. |
| Lagrange Multiplier (LM) Test | $H_0$: Common Effect vs. $H_1$: Random Effect | Breusch-Pagan: 68.8204 (0.0000) | Reject $H_0$. Random Effect is better than Common Effect. |

Based on the test sequence (Table 2), the Random Effect Model (REM) was selected as the most efficient and appropriate estimator for this dataset.

### 4.2.2 Classical Assumption Tests

Prior to testing the proposed hypotheses, it is essential to ensure that the selected Random Effects Model (REM) does not violate the fundamental classical assumptions of regression analysis. Violations of these assumptions can lead to biased, inefficient, or unreliable estimators, thereby compromising the validity of the hypothesis tests (Gujarati & Porter, 2009). A comprehensive diagnostic of multicollinearity, heteroscedasticity, autocorrelation, and normality was conducted. The summary of the test results is presented in Table 3.

**Table 5**. Summary of Classical Assumption Test Results

| Assumption | Test/Statistic Used | Result | Threshold/Criterion |
|---|---|---|---|
| Multicollinearity | Correlation Matrix | Highest correlation: 0.6882 (EPS-BVPS) | $\|r\|<0.80\|r\|<0.80$ |
| Heteroscedasticity | Glejser Test | Prob. > 0.05 for all independent vars | Prob. > 0.05 |

| Assumption | Test/Statistic Used | Result | Threshold/Criterion |
|---|---|---|---|
| Autocorrelation | Durbin-Watson (d) Statistic | d=1.6257d=1.6257 | Close to 2.0 |
| Normality of Residuals | Jarque-Bera Test | Prob. = 0.0000 | Prob. > 0.05 |

Source: Processed secondary data (2025)

The results in Table 3 indicate that the model is statistically sound for hypothesis testing. First, the correlation coefficients between all pairs of independent variables are below the critical threshold of 0.80, with the highest being 0.6882 between Earnings Per Share (EPS) and Book Value Per Share (BVPS). This confirms the absence of severe multicollinearity, implying that the estimated coefficients are stable and their individual effects on the dependent variable can be distinguished. Second, the Glejser test reveals no pattern of heteroscedasticity, as all probability values exceed the 0.05 significance level. This satisfies the assumption of homoscedasticity, ensuring the efficiency of the estimators. Third, the Durbin-Watson statistic of 1.6257, which is sufficiently close to the ideal value of 2.0, suggests that there is no concerning autocorrelation in the panel residuals.

Although the Jarque-Bera test formally rejects the null hypothesis of normally distributed residuals (p = 0.0000), this is a common occurrence in large-sample financial and accounting studies. Given the substantial cross-sectional sample size of 210 observations, the Central Limit Theorem guarantees that the regression coefficients are asymptotically normally distributed. Consequently, the statistical inference based on t-statistics and F-statistics remains valid and robust (Gujarati & Porter, 2009). In conclusion, the model satisfactorily meets the critical classical assumptions, providing a reliable foundation for the subsequent analysis and interpretation of results.

4.2.3 Random Effect Model Regression Results

The final estimation results from the REM are presented in Table 4.

**Table 6**. Random Effects Model Regression Results

| Variable | Coefficient | Std. Error | t-Statistic | Prob. | Hypothesis Test (α=0.05) |
|---|---|---|---|---|---|
| Constant (C) | 785.3434 | 240.5387 | 3.2649 | 0.0013 | - |
| Earnings (EPS) | 2.9743 | 0.8852 | 3.3601 | 0.0009 | Supported |
| Book Value (BVPS) | 0.4782 | 0.1152 | 4.1513 | 0.0000 | Supported |
| Cash Flow (CPS) | 0.1323 | 0.1713 | 0.7720 | 0.4410 | Not Supported |
| Financial Distress (Z-Score) | 3.4019 | 3.8376 | 0.8864 | 0.3764 | Not Supported |
| R-squared | 0.2267 | | | | |
| Adjusted R-squared | 0.2116 | | | | |
| F-statistic (Prob.) | 15.0252 (0.000000) | | | | Supported |
| Durbin-Watson stat | 1.6257 | | | | |

Source: Processed secondary data using EViews 12, 2025

The regression equation is:

*Stock Price = 785.3434 + 2.9743(EPS) + 0.4782(BVPS) + 0.1323(CPS) + 3.4019(Z-Score)*

4.3 Hypothesis Testing and Discussion

*1)* EPS has a positive and significant coefficient (2.9743, p=0.0009). H1 is supported. This finding strongly aligns with Signaling Theory (Spence, 1973). Higher earnings act as a potent positive signal of profitability and managerial efficiency, reducing information asymmetry and boosting investor confidence, which in turn increases demand and stock price (Almilia, 2021; Fitriany & Oktaviani, 2022). In the post-pandemic banking context, robust earnings signal resilience and the capacity to generate future dividends, making them a primary focus for investors. *H1: The Effect of Earnings (EPS) on Stock Price (Supported).*

*2)* BVPS also shows a positive and significant effect (0.4782, p=0.0000). H2 is supported. This result is consistent with fundamental valuation models (Ohlson, 1995) and Signaling Theory. A higher book value signals a stronger equity base and greater asset coverage, providing a "safety net" for investors. It serves as a tangible benchmark for intrinsic value, and its increase enhances perceptions of financial stability, leading to higher valuations (Chen & Zhang, 2020). For banks, a solid book value is particularly crucial as it underpins lending capacity and regulatory compliance. *H2: The Effect of Book Value (BVPS) on Stock Price (Supported)*

*3)* Contrary to expectations, CPS has a positive but statistically insignificant coefficient (p=0.4410 > 0.05). H3 is not supported. While positive cash flow is theoretically a strong signal of liquidity and operational health (Harahap, 2011), its insignificance in this context may be due to several factors. First, in the heavily regulated banking sector, liquidity is closely monitored, potentially making cash flow information less distinctive. Second, investors in Indonesian banks may prioritize accrual-based earnings and capital adequacy (book value) over operating cash flow, as the latter can be volatile and heavily influenced by central bank policies and interbank activities (Juwita & Rahmat, 2021). The signal may be subsumed within the other, more salient metrics. *H3: The Effect of Cash Flow (CPS) on Stock Price (Not Supported)*

4) H4: The Effect of Financial Distress (Z-Score) on Stock Price (Not Supported) The Z-Score shows a positive but insignificant relationship with stock price (p=0.3764 > 0.05). H4 is not supported. This is a notable finding. According to Signaling Theory and risk-based valuation, higher distress risk (lower Z-Score) should negatively impact stock price. The lack of significance could imply that: (1) the market has already anticipated and priced in the distress risks of specific banks, (2) regulatory safeguards and implicit government support for systemic banks mitigate the perceived risk of distress, or (3) investors in this market are currently more focused on profitability signals (EPS) than on bankruptcy risk metrics during the observation period (Oktaviani & Nurfadilah, 2023; Wijayanti, 2021).

*5)* As confirmed by the F-test, H5 is supported. This underscores the holistic nature of market valuation. Although not all individual signals (CPS, Z-Score) are significant on their own, the complete set of accounting and risk information together provides a relevant model for explaining stock price variations in the banking sector. The Adjusted $R^2$ of 0.2116 indicates that approximately 21.16% of the variation in stock prices is explained by this model, leaving the remainder to other market, macroeconomic, and firm-specific factors not included here. This aligns with Signaling Theory, indicating that investors collectively process this set of financial and risk signals to form valuation judgments. *H5: The Joint Effect of All Variables (Supported)*

## 5. Conclusion

This study empirically examined the influence of fundamental accounting variables earnings per share (EPS), book value per share (BVPS), cash flow per share (CPS), and financial distress risk (Z-Score) on the stock prices of banks listed on the Indonesia Stock Exchange during the 2019–2023 period. The primary objective was to determine which signals hold the most significant explanatory power in the post-pandemic banking valuation context, guided by Signaling Theory.

The findings reveal a nuanced picture. First, both EPS and BVPS emerge as strong, positive, and statistically significant determinants of stock price. This robustly supports H1 and H2, confirming that investors in the Indonesian banking sector heavily rely on profitability and equity strength as primary signals of value and stability. These results are strongly aligned with Signaling Theory and classical valuation models, reinforcing their enduring relevance.

Conversely, CPS and the Z-Score showed a statistically insignificant relationship with stock price, leading to the rejection of H3 and H4. The insignificance of cash flow suggests that in the regulated banking industry, operating cash flow may not provide a distinct signal beyond earnings and book value, or its information is already incorporated through other channels. Similarly, the lack of significance for the Z-Score implies that market participants may either anticipate distress risk through other means or prioritize growth and profitability metrics over solvency risk during the observed period, possibly due to perceived systemic or regulatory support.

Collectively, the model was statistically significant (supporting H5), explaining approximately 21.16% of the variation in stock prices. This confirms that, as a composite set, these financial and risk signals are relevant for valuation, even if not all individual components are impactful.

In conclusion, this research confirms that in the Indonesian banking sector, accrual-based performance (EPS) and net asset value (BVPS) remain the dominant accounting signals driving market valuation. The study contributes to the literature by highlighting the conditional relevance of cash flow and distress risk signals within a specific institutional and sectoral context. For practitioners, it underscores where management and investors should focus their analytical efforts. For future research, incorporating market-specific variables, governance factors, or alternative risk measures could provide a more comprehensive explanation of stock price dynamics.

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