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The Impact of Financial Ratios on Stock Price Performance of Indian Companies: A Quantitative Analysis

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Abstract— **This research is focused to examine the relationship of financial ratios with stock price movement by analyzing Return on Equity (ROE), Current Ratio and Debt-Equity Ratio (D/E) of Indian firms listed on National Stock Exchange (NSE). In this research quantitative research design is used and a sample of 100 firms for the period of FY 2022-2023 is taken. The lender's mind is used for the collection of data from annual accounts financials and online financial data source. The data is analyzed through statistical techniques of Pearson correlation and multiple linear regression. According to the results, Return on Equity (ROE) and stock returns have significant strong positive association, Current Ratio also has positive association with stock returns but comparatively weak; while Debt-Equity Ratio has negatively impacted stock return but statistically insignificant. The result has a significant contribution towards investment and analysis firms, investors and policymakers as it establishes the pre-eminence of profitability and liquidity in contrast to leverage concerning stock returns. The research enhances the understanding of the investment decisions and highlights the importance of progressive monitoring of financial ratios in emerging economies.**

Along with the financial ratios, dividend policy can also provide the additional understanding of stock performance as it also plays a crucial role in defining the financial position and market value of the company (Kanakriyah, 2020). In this regard, the stock returns related to firm with steady dividend policy are less volatile. This aligns with the influence of liquidity and profitability on the market, which directs that investors can prescribe the use of dividend policy as part of their stock analysis in order to increase the prediction accuracy of their financial ratios. It is advisable that by combining the dividend policy with the ratios such as ROE and Current Ratio, the investor and analysts can have better and complex understanding about the financial position of the company and its ability to provide steady returns. Hence, the future studies may examine the interaction of financial ratios with the dividend policy for providing full-fledged guidance regarding the stock performance in India's growing markets.

I. INTRODUCTION

Financial ratios have become a primary content of stock price reaction studies in recent years, especially in countries with developing financial markets like India. Financial ratios are quantitative indicators capable of providing standardized information about a company's profitability, liquidity, and leverage. The ratios allow analysts and investors to estimate the future return of the stock under observation based on the company's performance. In the Indian country, even though the impact of financial ratios is bound to their wide application, the existing studies have not yet explored the details of their influence on stock price reactions, particularly in terms of liquidity and leverage ratios. Therefore, the current study intends to fill in this gap with a methodical analysis of the relationship of Return on Equity, Current Ratio, and Debt-to-Equity Ratio with stock returns of the sample companies representative of the National Stock Exchange. The study has two main purposes: to evaluate the correlation and forecasting power for each of the ratios and to provide a base for further recommendations concerning the investment behavior in the Indian financial market.

II. LITERATURE REVIEW

A considerable corpus of scholarly efforts has been dedicated to study the nexus of financial financial ratios and performance of stock price on a global scale, with increasing focus on emerging markets such as India. The studies undertake exploration of the influence of profitability, liquidity and leverage ratios on stock return behaviour and have drawn divergent results with respect to the hierarchy of the ratios. In terms of the Indian firms, the studies using the panel regression methodology have reported that the valuation and asset efficiency ratios are generally positively and significantly correlated with share prices, while the dividend payout and leverage ratios show insignificant relationship (Kuntamalla & Maguluri, 2023). Another study employing the firm-level data of considerable size has revealed that most of the financial ratios under study have a positive and statistically significant impact on the determination of stock return and hence reinforces the practical applicability of ratio analysis in investment decision making (Awalakki & H.N, 2021). Some notable similarities have emerged with respect to the findings of Indian studies and those of the international research, where consensus has been reached on the roles of profitability and efficiency ratios in stock price prediction. Nevertheless, the studies have reported lack of sufficient clarity on uniqueness of the correlation pattern for liquidity and leverage ratios from an Indian stock market perspective.

To further mature the current knowledge of financial ratios and their potential effects on stock prices, it's important to correlate its research results with other studies from emerging markets to better understand the degree of its relevance in the Indian environment. As seen in an article released on commercial banks in Nepal, their results prove the influence of profitability and valuation ratios, together with the price-to-earnings ratio and book value per share on the equity prices. It is important to instill the idea that the significance of these ratios in the emerging market is equal to the developed ones when deciding which investments to pursue (Dahal et al., 2025). Given the degree of correlation that exists between the Indian stock returns and the profitability ratios like ROE, the dimensions of the potential from gaining knowledge regarding changing economic and regulatory conditions' effect on the relationship of liquidity and leverage ratios, such as Current Ratio and Debt-to-equity Ratio, still remains largely untapped. Although the dynamic in such ratios potentially changed over time, the effects of such trends are not being significantly studied now. The implications of such knowledge deprivation may lead to opportunities in portfolio diversification being missed by supermarkets and investors, who still rely on old, incomplete understanding of the situation with the considered variables. Therefore, the wider application of the financial ratios could lead to the inclusion of more indicators in the models, which would grant investors and policymakers alike greater ability to influence stock market participation and financial performance targets through their strategies.

Nonetheless, significant research gaps can be identified in the existing literature around the assessment of liquidity and leverage ratios for the Indian securities market. While the assessment of profitability ratios, such as the Return on Equity (ROE), has been widely studied, an assessment of the performance of liquidity ratios, such as Current Ratio, and leverage ratios, such as Debt-to-Equity Ratio, in influencing stock price is yet to be adequately studied in recent times. This is especially important considering the changing dynamics of the Indian economy and financial system as well as regulatory developments over the last decade that may have impacted the significance and effectiveness of the aforementioned ratios in providing reliable information to investors in gauging stock price trends. Among the few studies available, one study that analyzed a large sample of Indian companies focused on the factors affecting liquidity and did not specifically integrate the relationship of its findings with stock price behavior (Al-Homaidi et al., 2020). Hence, in this regard, a focused study assessing the effect of liquidity and leverage ratios on stock returns is warranted in order to determine their significance with respect to the investment decision-making process for Indian firms.

Future research may also consider the role of financial ratios on stock price movements relative to different sectors in India. As mentioned, the Indian stock market is heterogeneous, wherein some sectors may have either different levels of capital intensity and materiality compared to others, which could affect the levels of financial ratios and consequently their effect on stock price movements. For instance, in capital intensity sectors such as manufacturing, level of debt may be more significant and have more material effect on stock prices as compared to technology-oriented sectors, wherein earning power may dominate over financing choices and levels. Additionally, financial ratios could be affected by macroeconomic factors, such as interest rates and inflation, wherein global trends could impact its levels. Future studies that will aim to expand the considerations of their assessments with respect to stock price movements may capture more significant findings that may serve as a basis for more effective investment choices and corporate policy direction.

Recent studies have empirically established the importance of financial ratios on stock price movements specifically in Indian market scenario (Awalakki & H.N, 2021). It calls for the need to pay importance to certain financial ratios like ROE, Current Ratio, D/E Ratio of a business. With significant impact, it predicts stock return. The high correlation of ROE with stock return indicates that profitability elements affect stock figures. This calls for adjusting investment practices accordingly. Current Ratio having moderate influence indicates that liquidity ratios impact stock return but not as significantly as profitability ratios. D/E Ratio having negative impact but statistically insignificant impact indicates that firm making decisions regarding stock return based on leverage is not directly associated but calls for paying attention to not apply too much debt in the capital structure to affect stock return.

In addition, the choice of ROE, Current Ratio and D/E Ratio as the key variables for the study were based on their conceptual prominence in financial analysis and their prevalent usage in the literature, both in research and practice. ROE considers the company's profitability and has been widely recognized as a measure of how efficient a company is in generating profit from the equity provided by its shareholders, making it one of the key significant variables in determining the stock price movements to evaluate the potential performance of shares in the market. Moreover, the Current Ratio, a measure of liquidity, determines how efficiently a company can pay off its short-term liabilities, and its usage is particularly relevant to a market where economic fluctuations lead to a potential increase on the operational risks and cash flow ability of companies. The use of D/E Ratio is to cover for the leverage measure in which it indicated the level of debt and equity from shareholders used to finance the assets of the firm and been continuously recognized in the literature as one of the main ratios to consider when assessing firm value and investment-risk decision-making (A Desmon & YC Meirinaldi, 2022). Overall, these three ratios will form the basis of identifying possible dimensions and interactions that may contribute to the stock price in the Indian market.

Moreover, synthesis of evidence from earlier studies reveals that levels of profitability, liquidity, and leverage ratios have varying degrees of perception with respect to stock price movements in India. The results indicate that, in most of the cases, levels of ratio representing profitability, particularly ROE, have a statistically significant impact on stock return as higher ROE is associated with higher investor perception and positive adjustment in stock price. Similarly, levels of liquidity ratio, particularly Current Ratio, is usually positively correlated with stock return, but has relatively weaker perception and is also sector- constrained. On the other hand, levels of leverage ratio composition seem to have a negligible effect on stock return as their projection is not significant in most of the studies and analyses conducted in determining their impact on stock performance (Awalakki & H.N, 2021). Thus, the results indicate that while there is theoretical justification for the perception, the company performance ratios of profitability and liquidity, to a certain extent, are the indicators that the results of previous studies are more predictive of stock return.

III. OBJECTIVES OF THE STUDY

In contrast to the identified gap in literature assessed previously, the present research is constructed around two fundamental objectives. First is to attain and analyze the extent and direction of the relationship of financial ratios such as Return on Equity (ROE), Current Ratio (CR) and Debt-to-Equity Ratio (DER) with stock returns of National Stock Exchange (NSE) India listed companies; and to assess the potential of each financial ratio in predicting stock price movements for the companies during the fiscal year 2022–2023. Second is to convert statistical findings into stakeholders' actionable for better allocation decisions of financial investments among listed companies engaging in NSE India. In attaining the mentioned objectives, the present study offers and valuable contribution to the existing literature in the field of financial ratio analysis and subsequent enhancement in the quality of investment decision-making among Indian stakeholders.

Moreover, the study further ascertains its findings to be significant to the various stakeholder groups existing in the Indian financial ecosystem that can benefit from evidence-based analysis for better strategic decisions. In case of investors, the findings of the study will act as empirical evidence in their claim that more importance accorded to profitability and liquidity measures in selecting a stock can facilitate better returns from the portfolios maintained by them, especially under a volatile market situation. For the managers of the listed companies, it will bring actionable benchmarks in the manner that the financial ratios discussed in the study can help them judge their operational efficiency and financing decisions to promote such practices in their companies that can enhance the value for the shareholders. Policy-makers can use the implications of the study in deciding about the regulatory means and capital-allocating strategies as represented in the previous studies wherein the financial and market indicators played an important role in assessing the larger economic initiatives, such as, ESG adoption on Indian exchanges (Suresha et al., 2022). Finally, the academic community can count the present study as a contribution to the existing literature on the subject of capital market efficiency, while the methodological contributions are improved concerning the financial ratios theory and their application in solving relatively unexplored issues of recent times in the context of Indian scenario.

IV. RESEARCH METHODOLOGY

For this study's aims, a quantitative research methodology was employed to objectively measure and analyze the relationship between selected financial ratios and stock return of firms listed on the NSE. This choice of methodology is justified by the statistical dependability established through quantitative research methods that allow systematic and orderly analysis of numerical data sourced from companies' annual report, the NSE and CMIE Prowess databases. This research's hypothesis testing relied on Pearson's correlation analysis to determine the degree of association between stock return and each respective financial ratio, while multiple regression analysis was used to evaluate how much variance in stock price movement could be uniquely explained by each financial ratio, after accounting for the effects of the other ratios. The regression analysis findings are consistent with research methodology previously adopted in financial studies related to India, as regression-based evaluation has been effectively applied to detangle variable-specific effects in capital market research(Singh & Tandon, 2019). As a result, this adopted research methodology allows for the reliable identification, interpretation and relative comparisons of profitability, liquidity and leverage effects on stock return performance.

The sample consists of 100 companies listed on the National Stock Exchange (NSE) of India and pertains to the 2022-2023 fiscal year. This sample is deliberately chosen to cover a wide spectrum of industries and concerns to conduct a representative study to determine the relevant factors affecting stock prices. The sample size is decided to achieve an empirical balance between the required robustness of statistical measures and the availability of practical data for analysis. The sample size adheres to the standards followed in empirical studies conducted on Indian stocks(Rane & Gupta, 2021). The sample selection adheres to the criterion of consistent financial disclosures, trading records, and the presence of data for the chosen time-frame, thus contributing to the overall reliability of statistical inference. The number of companies in the sample allows for establishing statistically reliable inference of the independent effect on stock returns of Return on Equity, Current Ratio and Debt to Equity Ratio. On the other hand, it avoids the estimation inefficiency that could arise from over-specified or under-specified samples. The study confines itself to one financial period and a defined universe of NSE listings. These considerations add to the relevance of the inquiry, as concerns the nature of the relationship among financial ratios and stock performance to-date.

Furthermore, the information for this research was methodically gathered from three major sources to guarantee both breadth and authoritative depth of financial parameters concerning the chosen companies. The annual reports were the primary and chief source of company-specific financial statements, making it possible to derive the ratios of the Return on Equity, Current Ratio, and Debt-to-Equity Ratio from authentic and verified data. Next to them, the records of the National Stock Exchange (NSE) were used that delivered standardized data for stock prices and additional notices, making it possible to trace return results on a uniform basis for all companies in the sample of the present research (Rane & Gupta, 2022). Due to the significantknown database of firm financial figures and historical market data, CMIE Prowess was a natural choice. During the data collection process, the numeric signatureswere to be obtained and corroborated for each of the required variables before they were loaded into statistical tools for correlation and regression analysis in accordance with the recommended requirements for historical capital market studies.

Besides, sophisticated statistical methods were used to systematically probe into the linkages between various financial ratios and stock returns for the stocks of the companies concerned listed on NSE. Initially, Pearson correlation analysis was performed to ascertain the linear correlations, if any, between all three independent variables – Return on Equity, Current Ratio, Debt-to-Equity Ratio and the dependent variable Stock Return. Multiple linear regression analysis was then applied using SPSS and MS Excel to determine the individual effect of each of the financial ratios on the stock price movements, while holding all other factors constant, if any. Such statistical methods were chosen in view of the widely-accepted practices for quantitative studies of financial data pertaining to Indian stock markets where similar research efforts have employed the same statistical methods and obtained significant results regarding the correlation between accounting ratios and stock market performance for Indian companies (Awalakki & H. N., 2021). The application of these statistical techniques enabled unambiguous evaluation and credible interpretation regarding the strength, direction and significance of the studied correlations; thus, enhancing the reliability and replicability of the equal empirical findings of the research.

V. VARIABLES

In the proposed quantitative study, the main constructs are defined as one dependent and three independent financial ratios, with each defined in terms of a well-defined formula and application in stock price context. The first or the dependent construct is Stock Return, which can be measured as the percentage change between the closing share price of the studied company at the beginning and at the end of the fiscal year (2022–2023). The independent constructs include Return on Equity (ROE), which can be measured through Net Income over Shareholder's Equity and reflects profitability of the analyzed company along with its financial prospects, and Current Ratio, which can be defined as Current Assets over Current Liabilities and reflects short-term liquidity available for the firm. Finally, Debt-to-Equity Ratio (D/E) construct noticed in qualitative studies can be calculated as Total Debt over Shareholder's Equity and reflects the leverage effect in the analyzed structure between debt financing and owned equity capital employed. The defined variables are similar to the constructs defined and measurement methods employed in other quantitative research studies, which analyzed and evaluated the impact of financial ratios on stock price behavior (Asmirantho, 2017).

Additionally, ROE, Current Ratio, Debt to Equity Ratio have been chosen as main financial ratios as, they fit better to capture the key aspects underlying firm EFPOs. ROE is the most common measure of the firm's ability to create profits from investment in equity capital. In this sense, it represents the effectiveness of stockholder management and its profitability. Current Ratio shows the firm's ability to meet its short-term obligations with existing current assets. The ratio's primary importance is as a measure of liquidity strength (Sari & Sedana, 2020). Debt to Equity Ratio identifies leverage in the value of firm financing by measuring the proportion of asset financing through debt as opposed to stockholder equity and capital structure risk. All three ratios provide an organized approach to analyzing the resonance among different areas of financial performance - operating effectiveness, liquidity, and funding volatility - and their impact on the stock price behavior of NSE-listed companies.

VI. DATA ANALYSIS AND INTERPRETATION

Descriptive statistics of the variables in the study, provide the necessary basis for the analysis of results. The average Stock Return during 2022–2023 of the sampled companies, listed in the NSE was of 18.94%, with a standard deviation of 22.33 (maximum value of 78.5% and minimum of -22.1%), indicating the existence of wide spread of firm performance. Return on Equity had a mean of 14.23%, with a standard deviation of 8.11 (maximum of 37.45and minimum of -5.12).Average of Current Ratio was 1.87, with a standard deviation of 0.68 (maximum of 3.9and minimum of 0.65), It indicates spread in liquidity position of the companies. Debt to equity ratio had an average of 0.76, with a standard deviation of 0.59 (maximum of 2.85and minimum of 0.12). Such statistics indicate the spread in chosen sample, as financial parameters are found to have varying impact on allocation of financial resources decision in the market (Sar & Panigrahi, 2025).

Also, an in-depth analysis of the descriptive statistics highlights some key trends and outliers with respect to the NSE-listed firms sampled in this study. The range of Stock Return (from -22.1% to 78.5%) indicates the extreme levels of volatility seen in the market during the fiscal period, as evidenced by the high standard deviation. Return on Equity seems to be quite variable as well, suggesting that some firms make higher-than-average profit vis-à-vis equity while some others posted negative profitability, thus indicating the inequality in capital efficiency across the industry. The range of Current Ratio (from 0.65 to 3.9) indicates that some firms are likely to face the possibility of liquidity shortfall while some other firms still have quite a comfortable safety margin on that front. Such inequalities in financial metrics are consistent with previous research about the relevance of financial ratios in forecasting stock movements to guide investment activities, where their differences are believed to correlate with the rise or decline of stock prices (Rane & Gupta, 2022).

Then the correlation analysis was conducted to measure the relationship between each chosen financial ratios and stock return for the sample firms listed on the NSE. Return on Equity and Stock Return showed strong statistical significance with the correlation coefficient of 0.613, at 1% level indicating strong positive linear relationship which is also prevalent in the evidence documented in studies across the globe (Lubis & Nur Alfiyah, 2021). The Current Ratio had a weaker positive correlation with Stock Return ($r = 0.212$, $p < 0.05$), implying that firms with better liquidity tend to achieve superior performance in the market yet the relationship is weaker. On the other hand, the Debt to Equity Ratio indicated a negative correlation with Stock Return ($r = -0.173$), yet the correlation did not prove significant statistically, which is similar to the findings of previous studies where leverage has not been determined as a significant predictor of returns. Hence, the correlation analysis provide the first evidence regarding the relative importance of profitability, liquidity and leverage in the Indian capital markets.

The statistical results presented show that the variation in stock returns is positively, statistically significantly and strongly correlated with Return on Equity. The result indicates that the highest degree of share price performance indicator for Indian equities is profitability. This is further elaborated with a coefficient of 0.613, meaning that firms with high returns on equity are expected to receive positively striking market ratings- from capital market participants. The results presented are in line with past trends highlighted in published literature regarding the power of prediction of ROE (Wijaya & Yustina, 2019). Further, the current ratio as a measure of liquidity reveals a statistically significant moderately positive correlation with stock returns. The result presents that the current ratio as a measure of liquidity is a part of the determination of market performance. However, it reveals, that this measure is not such an influencing factor as profit the previous indicator. The Debt-Equity Ratio revealed an indication of a negative correlation with stock returns, supporting the theory that as the company continues to increase its asset usage through debt financing, they are continuing to positively influence the signals presented to the market. However, the statistical insignificance of the portion coefficient provides a lack of clarity and confidence to support this relationship. A general presentation of the findings of the regression model model demonstrates that while the most significant influencing factor upon stock return variation is a firms' position with profitability, the investing public does also allow for indicators of liquidity and leverage into their decision processes.

Subsequently, a multiple regression was carried out to assess the unique effect of the various ratios on stock returns, namely Return on Equity, Current Ratio, Debt to Equity Ratio, controlling for the other ratios in the model. Regression model revealed that the estimated coefficient of Return on Equity was 0.92 (t-value=5.11, p<0.001). Thus, confirming a strong and statistically significant return of profitability on stock performance. The Current Ratio revealed an coefficient of 3.47 (t-value=2.287, p=0.025), which is a moderate and a statistically significant positive return of liquidity on market performance. Debt to Equity Ratio revealed an coefficient of -2.58 (t-value=-1.324, p=0.189), which is a negative statistically insignificant return. As similar information was revealed in the analysis conducted on the overall listed manufacturing firms (Marito[a]* & Sjarif, 2020). Thus, findings of regression analysis further corroborated the correlation analysis above and specified the relative strength of profitability, liquidity, and leverage factors as predictors for investors in the Indian market.

Therefore, a strategic interpretation of the regressions reveals a strong and significant influence of Return on

Equity, with a larger coefficient and robust statistical significance establishing it as the most instrumental factor in determining stock returns for Indian firms on the NSE. The assessment also shows that Return on Equity has a significant influence on stock returns indicating that, all else being equal, investors apparently prefer companies that provide higher profitability which resonates with the principles underlying the capital markets in which the earning potential and operational strength are highly correlated with share price increases. On the contrary, the current ratio showed a relatively lower but statistically significant positive relationship indicating that liquidity sufficiency is preferable but that liquidity is subordinate to profitability in influencing stock returns within the window of analysis. The Debt-to-equity ratio also indicated a statistically insignificant negative coefficient implying that stock returns were unresponsive to variations in leverage within the stock sample reflective of earlier results that higher debt does not necessarily imply poor market performance unless coupled with distress conditions (Nukala & Rao, 2021). The divergent results also provide evidence of the differing relative importance of the principal factors to investors and other market players in relation to the sampled Indian firms as influenced by changing financial dynamics.

VII. KEY FINDINGS

Taken together, the quantitative findings of this study point to the existence of distinct effects that the three principal financial ratios have on the stock price movement of the constituent firms listed on the NSE. Furthermore, these firms' Return on Equity (ROE) has a positive and statistically significant, robust effect on stock returns, thus confirming the predictive utility of this ratio in the market on account of being associated with a profitable business outcome. In addition, the Current Ratio exerts a positive and statistically significant effect on stock price movement that is moderate, suggesting that liquidity remains a positive influence of stock return expectations, even if on a weaker basis than that attributable to profitability. In contrast, the Debt-to-Equity Ratio delivered a negative effect on stock returns that was statistically insignificant, a result aligned with past studies that also found leverage ratios to have low predictive value in the context of India's equity prices (Kaur, 2022). Taken together, the implications of these findings point to profitability as the primary influence underlying stock prices, with liquidity in a supporting role and moderate, while leverage appears to have relative lesser bearing on equity price movement over the study period.

In addition, a study of Indian listed banks shows that the effects of financial ratios on stock performance can be significantly impacted by industry factors.

In context to Indian financial market panorama, the results of this study are in line with another study done in Indian banking sector demonstrating that selective financial ratios enhance predictive power of stock returns (Rane & Gupta, 2022). It showcases that selective and impactful financial ratios need to be the focus rather than a comprehensive one, to generate useful results for investors and policymakers. In addition, a selective and strategic set of performance measures such as current ratio, ROE, etc. can be utilized to understand behaviour of stakeholder in financial markets and to develop precise instruments for investors to guide them in decision making. Aligning financial performance aspects with key ratios can support long-term and consistent growth, and competitive edge during volatility period. The cumulative comprehension of these attributes of the current study and related study in respect to similar context demonstrate relevance of targeted financial evaluation phenomena across various sectors in enhancing stock market analysis and corporate planning.

(Rane & Gupta, 2022). This suggests that the financial ratios have to be analysed in conjunction with industry and sector. Different fundamental of the industry may cause differences in relation of financial ratios and returns. This study generalises the data of different companies and does not use sector-based analysis. However, if some sector-based analysis supplementary to this study and in course of other studies was done, it would have improved an understanding of financial fundamentals of stock return. The banking industry has a specific liquidity and leverage structure. The results explain that context of the industry has the potential to limit the importance of basic financial ratios. Therefore, the insertion of industry specific characteristics would assist investors and financial managers in enhancing their strategic financial decisions pertaining to specific economic sectors.

These findings, therefore, provide meaningful insights into the role of financial performance, profitability, liquidity, and leverage on stock returns in the Indian equity market under heightened volatility which has had systemic effects previously. The significant impact of Return on Equity through correlation and regression indicates that profitability is the measure through which firms are rewarded superior stock price performance and is supported by similar emerging markets studied in the ASEAN region (Jermsittiparsert et al., 2019). The positive impact of liquidity through the Current Ratio on stock returns albeit to a lesser extent, indicates that while there is an appreciation by investors of a firm's ability to honour short-term commitments, there is a greater preference towards an organization's efficiency to generate profits. The low and statistically insignificant impact of the Debt-to-Equity Ratio further indicates that the perception of risk by the market related to a firm's leverage may not be a dominant factor during the period of stable or increasing growth in the economy, unless leverage becomes detrimental. These metrics provide sufficient context to guide investment decisions as well as managerial actions in India's fast-paced but volatile capital markets, with a focus on profitability with due concern towards maintaining sufficient liquidity.

VIII. CONCLUSION

Overall, the results of this research establish the Return of Equity as the primary determinant of stock price performance of firms on the NSE, validating that profitability is of utmost importance to investors and corporate managers alike. Secondary to this is liquidity (as measured by the current ratio), with a positive but weaker impact on stock returns, which also indicates that this is an important consideration in company valuations, though not as closely-watched as the previous ratio. Finally, with the Debt to Equity Ratio as the measure for leverage, the results suggest that this has a weak and statistically insignificant correlation with stock price performance at present. Based on the findings, future studies can expand the financial ratios used, introduction of industry-specific factors, or using stock price performance measures such as cumulative abnormal returns to further enhance understanding of the market in the Indian setting. From a practical standpoint, the evidence suggests that investors give more weight on profitability and liquidity-firm's operations, while companies should ensure operational efficiency and financial policies that enhance their market displays.

In terms of the significance of results of this study to wider economic implications or practices, it may be posited that the greater significance given to Return on Equity suggests that investors are influenced by a broader sentiment affirmed by global investors which is to prefer firms that have high capacity to generate profits. This corresponds with sentiments in the developed markets where the capacity to sustain profits is perceived to have an impact on stock prices — albeit to varying degrees through different stages of the economic cycle. As to the second most significant factor, liquidity also provides some level of protection from uncertainties and it may be interpreted that firms with adequate liquidity are likely to be preferred over others especially during uncertain times. As to the low significance of leverage, it may be interpreted that during stable economic conditions, investors perceived to be more tolerant to debt possibly due to the high level of earnings available to fulfil interest payments. Despite this interpretation, opportunity is presented for further research to examine how shifts in the macroeconomic environment or interest rate changes may impact the focus of investors on leverage when determining stock values on firms listed in the Indian stock market.

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