ABSTRACT

The banking industry plays a strategic role in maintaining Indonesia's economic stability, attracting many novice investors to invest in banking stocks. One important indicator in the capital market is stock price volatility, which reflects the level of uncertainty surrounding stock price movements. However, investors often focus too much on price fluctuations without considering the company's fundamentals. This study aims to analyze the effect of profitability and liquidity on stock price volatility in the banking sector using a causal quantitative approach and descriptive methods. Secondary data used includes 28 banks listed on the Indonesia Stock Exchange for the period 2014–2023, analyzed through panel data regression using annual reports and financial statements. The results show that profitability and liquidity influence stock price volatility, emphasizing the importance of financial performance in maintaining price stability and encouraging investors to consider fundamental factors before investing. For banks, maintaining profitability and liquidity ratios is a key step in building market confidence.

***Keywords**: profitability, liquidity, stock volatility, banking sector.*