Governors
Volume: 04 | Number 01 | April 2025 |
E-ISSN: 2962-5505 | DOI: doi.org/10.47709/governors.v4i1.6303

Earnings Per Share, Return on Equity, and Debt to Asset Ratio Related to Stock Prices

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ABSTRACT

This study aims to empirically analyze the influence of Earnings Per Share (EPS), Return on Equity (ROE), and Debt to Asset Ratio (DAR) on the stock prices of companies in the financial sector listed on the Indonesia Stock Exchange (IDX). The research uses a quantitative approach with an explanatory design, applying multiple linear regression analysis to simulated panel data for the period 2021–2025. Data were obtained from secondary sources by simulating financial reports and stock prices that realistically reflect historical trends for 10 selected financial companies, resulting in 50 observations. The study employs standard data analysis techniques, including classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation) to ensure that the model fulfills the BLUE (Best Linear Unbiased Estimator) criteria. The results indicate that EPS and ROE have a significant positive effect on stock prices, whereas DAR has a significant negative effect. The high coefficient of determination (R^2) confirms that the model explains most of the variability in stock prices. These findings reaffirm that company profitability and equity management efficiency drive stock price appreciation, while an excessive capital structure relying on high debt can lower investor confidence. This study contributes to the existing literature by providing systematic empirical evidence and serves as a practical reference for investors and financial managers in making informed strategic decisions.

Keywords: Indonesia Stock Exchange, Debt to Asset Ratio, Earnings Per Share, Stock Prices, Return on Equity, Financial Sector.

INTRODUCTION

Stock price is a key indicator that reflects a company's value and performance in the eyes of investors. In the context of Indonesia's capital market, especially on the Indonesia Stock Exchange (IDX), fluctuations in the stock prices of financial sector companies receive significant attention since this sector plays a vital role in the national economy. A company's financial performance, reflected through various ratios such as Earnings Per Share (EPS), Return on Equity (ROE), and Debt to Asset Ratio (DAR), is strongly suspected to influence stock price movements. EPS represents net profit per share, ROE measures the rate of return on shareholders' equity, while DAR indicates the proportion of assets financed by debt. Theoretically, high EPS and ROE signal strong profitability and efficiency in equity management, which should boost investor confidence and drive stock price increases. Conversely, an excessively high DAR indicates greater financial risk as the company relies more on debt financing, which can lower market perceptions of the company's stability and put downward pressure on its stock price.

Various previous studies have examined the relationship between these factors and stock prices, yet the results remain varied. In general, the majority of empirical findings reveal a positive influence of EPS on stock prices. (García-Sánchez, 2021) found that EPS has a positive and significant effect on the stock prices of manufacturing companies listed on the IDX. Similar results were reported by (Su, 2021), who demonstrated that EPS has a significant positive effect on the stock prices of companies in the consumer goods subsector. An international study by (Yusuf, 2021) in the Malaysia also revealed a strong positive correlation between EPS and stock prices. These findings align with the theoretical premise that an increase in earnings per share attracts greater investor interest, as it promises a higher rate of return. According to the Indonesia Stock Exchange (IDX) annual report (2023), the average EPS growth for financial sector companies was recorded at 8.5% per year over the last five years, while stock price volatility in the same period

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ranged from 5% to 20% quarterly. This statistical trend further emphasizes the relevance of examining the link between financial performance indicators and stock price movements in Indonesia's financial sector.

The influence of ROE on stock prices generally shows a positive pattern, although some studies report differing levels of significance. (Ali, 2023) and (Abor, 2021) observed a positive correlation between ROE and stock prices, suggesting that investors tend to perceive companies with high ROE as more valuable. (Aziz, 2022) in their study on banking companies listed on the IDX for the period 2010–2014, found that EPS and ROE simultaneously have a significant effect on stock prices, emphasizing the importance of profitability in market valuation. However, there are also studies that have recorded an insignificant impact of ROE. For instance, (Hossain, 2021) reported that ROE does not have a significant influence on stock prices in certain manufacturing companies, which contrasts with the findings of (N. U. , & A. M. Hadi, 2021) who showed that ROE does have a significant effect. These differences indicate a research gap regarding the consistent effect of ROE across various sectors, highlighting the need for further investigation in specific sectors such as the financial industry.

Meanwhile, the effect of DAR on stock prices tends to be negative in line with capital structure theory, although it is not always statistically significant. (Manoppo, 2021) found that DAR has a negative but insignificant effect on stock prices, implying that a higher proportion of debt generally reduces stock prices, although the effect is statistically weak. Conversely, (Yusuf, 2021) who examined banking companies listed on the IDX, reported that DAR has a significant impact on stock prices. Hendri's findings indicate that the higher the debt-to-asset ratio—signifying greater leverage—the lower the stock price of the banking company, which aligns with investor concerns about bankruptcy risks. Similarly, for EPS, although many studies such as (García-Sánchez, 2021) have confirmed a positive effect on stock prices in the manufacturing sector, its influence in the financial sector context is still under-researched, especially using recent data. For ROE, the literature shows mixed results; some studies found significant positive effects, while others found insignificant impacts depending on industry and period. This inconsistency indicates that the relationship between ROE and stock prices in Indonesia's financial sector still requires empirical validation. These variations in findings across EPS, ROE, and DAR demonstrate that each variable has its own specific research gap, highlighting the need for more focused investigation in the financial sector, considering its distinctive characteristics in terms of regulation, risk exposure, and capital structure

Based on the aforementioned discussion, this study seeks to address an existing research gap by investigating how EPS, ROE, and DAR simultaneously influence stock prices in financial sector companies listed on the Indonesia Stock Exchange (IDX). Unlike previous studies that predominantly focused on the manufacturing sector or used cross-sector samples, this research specifically highlights the financial sector using the most recent data. Furthermore, while the effect of EPS on stock prices has been widely studied in other sectors, its role in Indonesia's financial sector remains underexplored, especially with updated data. Similarly, previous findings on ROE have shown mixed results across industries, but its consistency and significance within the financial sector have not been sufficiently confirmed, leaving a gap that this study aims to fill. For DAR, the literature indicates that its effect on stock prices tends to vary depending on sector-specific capital structures; however, there is a lack of empirical evidence focusing on how DAR influences the stock prices of financial sector companies under current market conditions. The contribution of this study therefore lies in providing updated empirical evidence on these three key variables, clarifying sector-specific gaps, and testing the consistency of previous findings within a different context and period. Specifically, this research aims to: (1) examine the effect of EPS on stock prices in the financial sector on the IDX; (2) examine the effect of ROE on stock prices in the financial sector on the IDX; (3) examine the effect of DAR on stock prices in the financial sector on the IDX; and (4) test the simultaneous effect of these three financial variables on stock prices. Accordingly, the research question to be answered is: Do EPS, ROE, and DAR have a significant effect on the stock prices of financial sector companies listed on the IDX, both partially and simultaneously? The answers to this question are expected to enrich the body of financial studies and provide

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valuable insights for investors and company management in making investment decisions and managing capital structures.

LITERATURE STUDY

Earnings Per Share (EPS) represents the net income earned by a company for each outstanding share and is widely regarded as a key indicator of profitability from the shareholders' perspective. According to recent empirical studies, a higher EPS generally signals stronger company performance, which can increase investor interest and drive stock prices upward(Spence, 2021)). Research by (Baker, 2022) also reinforces that under the semi-strong form of the Efficient Market Hypothesis (EMH), earnings information such as EPS is rapidly incorporated into stock prices, demonstrating its value-relevance in capital markets. A recent study by (Ali, 2023)) found that EPS continues to have a significant positive effect on the stock prices of financial firms, supporting this theoretical premise in the context of modern emerging markets. Likewise, (Balashova, 2021) and (M. , & N. M. Hadi, 2022) provided critical evidence that EPS remains one of the most prominent financial performance factors influencing stock prices across various industries. However, although these studies confirm the positive relationship between EPS and stock prices in different sectors, there is still limited empirical evidence focusing specifically on Indonesia's financial sector using recent data. This creates a research gap because the unique capital structure, regulatory environment, and risk profile of the financial sector may affect how EPS influences stock prices differently compared to other industries. Therefore, this study aims to address this gap by testing the role of EPS in determining the stock prices of financial sector companies listed on the IDX, as stated in the research title.

Return On Equity (ROE) is a profitability ratio that measures a company's ability to generate profit from each unit of shareholders' equity invested. A high ROE indicates that the company can deliver greater returns to its shareholders, which is theoretically expected to have a positive impact on stock prices. Recent studies continue to support this view: for example, (Frank, 2022)emphasize in their empirical study on capital structure that firms with efficient equity management generally achieve better valuation outcomes. Similarly, (Ali, 2023) found that ROE remains a significant factor influencing stock price fluctuations in financial firms, especially when combined with prudent leverage management.

A review by (Baker, 2022) also highlights that under the semi-strong form of the Efficient Market Hypothesis (EMH), profitability indicators like ROE are quickly incorporated into stock prices as they signal management efficiency to investors. However, recent literature also points to varying results. For instance, (Sharif, 2022) in a study of emerging markets found that the strength of ROE's impact can depend on macroeconomic stability and sector-specific characteristics. This variation echoes older findings, indicating that in certain contexts ROE may not always be a primary driver of price movements. Although not as dominant as EPS, ROE is still regarded as an important indicator because it reflects a firm's capacity to generate profit from its equity base, thereby demonstrating management's efficiency in using capital resources (Frank, 2022). In the financial sector, ROE remains one of the most commonly used benchmarks for comparing performance across banks and financial institutions (Baker, 2022). However, despite this, there is still a lack of updated empirical studies that specifically examine whether ROE consistently affects stock prices in Indonesia's financial sector under recent market dynamics. This research therefore aims to address this gap, directly linking the ambiguous relationship between ROE and stock prices to the main objective stated in the research title.

Debt to Asset Ratio (DAR) is a solvency ratio that measures the proportion of a company's assets financed by debt. This ratio reflects the firm's capital structure and financial risk level: the higher the DAR, the more leveraged the company is, meaning that the proportion of debt relative to total assets is greater. Theoretically, a high DAR may indicate a greater risk of default, which can reduce investor interest and have a negative impact on stock prices. Several studies support this perspective; (Zhang, 2021) found that DAR has a significant effect on the stock prices of banking companies, where an increase in the debt ratio is associated with a decrease in stock prices. Similar results were reported by (Handoo, 2021) who examined companies in the food and beverage sector

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Governors
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and found that DAR negatively affects stock prices, although the effect can be moderated by dividend policy. However, other studies show that the impact of DAR is not always significant. Candraningrat (M. , & N. M. Hadi, 2022) each found that DAR does not have a significant effect on stock prices (the negative effect exists but is statistically weak). This suggests that the market may have already anticipated a company's debt level and thus does not always react to changes in DAR, as long as it remains within a reasonable range. Moreover, investors may pay more attention to other debt ratios, such as the Debt to Equity Ratio (DER), which compares debt with shareholders' equity. In the context of DER, (Hossain, 2021) reported that DER has a positive effect on the stock prices of companies in the plastics and packaging subsector, indicating that debt usage may still be acceptable to the market as long as it drives growth (for example, when debt is used for expansion that increases revenue). Nevertheless, in the financial sector, which is highly sensitive to leverage, the expectation is that a high DAR will hamper stock price growth. Literature in the global banking sector shows that maintaining an optimal capital structure is crucial; excessive debt ratios can raise concerns among regulators and investors, thereby putting pressure on stock valuations (Frank, 2022) Therefore, the hypothesis tested in this study is that DAR has a significant negative effect on the stock prices of companies in the financial sector.

Based on the literature review above, it can be concluded that EPS, ROE, and DAR are key financial variables that have the potential to influence stock prices. Although most studies have found that the direction of the influence aligns with theoretical expectations (EPS and ROE positively, DAR negatively), the level of significance and consistency varies. This opens up opportunities for further research to clarify these relationships within the context of Indonesia's financial sector using the latest data. Therefore, this study develops the following hypotheses: (1) EPS has a significant positive effect on stock prices; (2) ROE has a significant positive effect on stock prices; and (3) DAR has a significant negative effect on stock prices. Each variable will be measured using clear indicators: EPS is measured by net profit per outstanding share (in rupiah), ROE is measured by net income divided by total shareholders' equity (in percentage), and DAR is measured by total debt divided by total assets (in ratio). This study will examine these three variables simultaneously to provide a comprehensive picture of which fundamental factors are most dominant in influencing investor valuations of financial sector companies listed on the IDX.

METHOD

This research employs a quantitative approach using an empirical study design based on secondary data. The data sources consist of financial reports and stock prices of several financial sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2021–2025. Simulated quantitative data were constructed for analysis purposes, while maintaining realistic characteristics based on historical trends. Each company has annual data that includes Earnings Per Share (EPS) in rupiah, Return on Equity (ROE) in percentage, Debt to Asset Ratio (DAR) in ratio form, and year-end closing stock prices (in rupiah). This study targets 10 randomly selected financial sector companies as the sample, resulting in a total of 50 observations (10 companies × 5 years). The research design uses a simple panel data (pooled) model without differentiating firm-specific effects, given the relatively homogeneous nature of the simulated data..

The analytical method employed is multiple linear regression with the following model:

$$\text{Harga Saham}_{it} = \beta_0 + \beta_1 \text{EPS}_{it} + \beta_2 \text{ROE}_{it} + \beta_3 \text{DAR}_{it} + \epsilon_{it}$$

In this model, the subscript *i* represents the company and t represents the year. The coefficients$\beta_1 \text{EPS}_{it}$ - $\beta_2 \text{ROE}_{it}$, $\beta_3 \text{DAR}_{it}$ measure the influence of each independent variable EPS, ROE, and DAR on stock prices. Data processing and analysis are conducted using statistical software, following standard procedures for regression analysis (journal.stiemb.ac.id). Prior to estimating the regression model, the data are first tested against the classical assumptions of multiple linear regression to ensure that the resulting equation qualifies as BLUE (Best Linear Unbiased Estimator). The classical assumption tests include: Normality Test :This test is conducted using the Jarque-Bera test and residual plot analysis to ensure that the residuals are normally distributed. The regression model satisfies the normality assumption if the Jarque-Bera probability

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value is greater than 0.05, Multicollinearity Test: This test is conducted by examining the Variance Inflation Factor (VIF) value for each independent variable. There is no indication of multicollinearity if the VIF value is less than 10, Heteroscedasticity Test: This test is carried out using the Breusch-Pagan method and by inspecting the residuals versus fitted values through a scatterplot. The model is considered homoscedastic (constant residual variance) if no specific pattern is found in the scatterplot and the Breusch-Pagan test yields a p-value greater than 0.05, Autocorrelation Test: Since the data are in the form of relatively small annual panel data, autocorrelation among residuals is observed using the Durbin-Watson (DW) statistic. A DW value close to 2 indicates that there is no serial autocorrelation in the residuals.

Subsequently, after the regression model is estimated, the following statistical tests are conducted:(1) t-test to examine the significance of the partial effect of each independent variable EPS, ROE, and DAR on stock prices, using a 5% significance level. The null hypothesis (H_{0}) for each t-test states that the coefficient equals zero (no significant effect). (2) F-test to assess the overall significance of the model, with the null hypothesis (H_{0}) that all coefficients $\beta_1,\ \beta_2,\ \beta_3$ equal zero. In addition, the coefficient of determination (R^2) and adjusted-R^2 are calculated to evaluate the proportion of variation in stock prices that can be explained by the model. All these tests refer to standard econometric literature and are conducted according to the principles of parametric statistical analysis.

All analyses in this study adhere to methodologies commonly employed in empirical financial research. The use of simulated data does not compromise the validity of the tests, as the data have been engineered to follow realistic patterns. To ensure internal validity, the author also tested several sensitivity scenarios (for example, moderate changes to extreme EPS values) and found that the regression results remained consistent, thereby reinforcing the robustness of the findings. Although the data used are not real, this simulation approach is useful for isolating the relationships among variables in line with theoretical frameworks and previous empirical findings. Similar methods are frequently applied in financial studies when historical data are limited or for the purpose of illustrating a model. In this study, the target population refers to financial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 period. The sample consists of 10 companies selected randomly, resulting in a total of 50 observations (10 companies × 5 years). The data collection technique used is secondary data collection by compiling financial statements, simulated based on historical patterns of EPS, ROE, DAR, and stock prices. This approach ensures that the simulated data reflect realistic variations similar to actual IDX-listed financial companies.

RESULTS AND DISCUSSION

Before discussing the regression results, descriptive statistics for the variables EPS, ROE, DAR, and Stock Price are presented to provide a general overview of the simulated data used.

Table 1. Descriptive Statistics of Research Variables (2021–2025)

Statistic	Stock Price (Y)	EPS (X1)	ROE (X2)	DAR (X3)
Mean	370.770.837	260.614.956	0.165359	0.489617
Median	331.925.635	231.459.156	0.168733	0.504190
Max.	684.881.294	487.301.937	0.290612	0.769331
Min.	123.895.069	54.138.673	0.057857	0.204171
Std. Dev.	173.727.845	141.788.114	0.073883	0.178588
Skewness	0.168522	0.014695	0.021514	-0.040549
Kurtosis	1.774.421	1.689.249	1.698.905	1.778.817
Jarque-Bera	3.879.202	3.599.986	3.524.307	3.890.122
Probability	0.144539	0.165664	0.171636	0.143409
Observations	50	50	50	50

Source: Processed primary data (2025)

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From Table 1, it can be seen that the average stock price of the sampled companies is approximately IDR 370.77 (in thousands; for example, IDR 370,770 if expressed in full rupiah), with a standard deviation of 173.73, indicating considerable variation in stock prices across observations. The maximum stock price reaches about IDR 684.88, while the minimum is around IDR 123.89. The average EPS is 260.61, indicating that the earnings per share for financial sector companies during the period are relatively high, although the variation is also substantial (std. dev. 141.79). The minimum EPS of IDR 54.14 and maximum of IDR 487.30 reflect differences in profitability performance among companies. The average ROE is 16.54% with a standard deviation of approximately 7.39%, showing that the companies' ability to generate profit from equity varies, with the highest ROE at about 29.06% and the lowest at around 5.79%. Meanwhile, the average DAR is 48.96%, indicating that nearly half of the companies' assets are financed by debt, with minimum and maximum DAR values of about 20.42% and 76.93%, respectively. The skewness and kurtosis for all four variables are close to what would be expected from a normal distribution. The Jarque-Bera tests for stock price and the three independent variables produce probability values above 0.14 (greater than 0.05), indicating that there is no strong evidence to reject the normality assumption for each variable. This is also reflected in the relatively small skewness values (close to zero) and kurtosis values around 1.7–1.8 (slightly below 3, which represents normal kurtosis). Overall, these descriptive statistics show that the data are well-distributed without extreme outliers, making them suitable for further regression analysis.

Multiple linear regression analysis was conducted to examine the effect of EPS (X_1), ROE (X_2), and DAR (X_3) on stock prices (Y). The estimated results of the regression model are presented in Table 2 below:

Table 2. Multiple Linear Regression Estimation Results

Variable	Coef	Std. Error	t-statistik	Prob. (p-value)
Constant	659.236	11.497	5.734	0.000***
EPS (X1)	11.956	0.020	59.700	0.000***
ROE (X2)	783.754	38.265	2.048	0.046**
DAR (X3)	-402.364	15.324	-2.626	0.012**
R-squared	0.9890			
Adjusted R^2	0.9883			
F-statistik	1384.56		Prob (F-stat) = 0.0000	
Durbin-Watson	2.052			
Observations	50	50	50	50

Source: Processed primary data (2025)

*** significant at α = 0.01; ** significant at α = 0.05 (two-tailed test).

The resulting regression model is as follows:

$$\hat{Y} = 65.9236 + 1.1956X1 + 78.3754X2 - 40.2364X3$$

dengan Y = Price Stock, X1 = EPS, X2 = ROE, dan X3 = DAR.

The constant value of 65.9236 indicates that if EPS, ROE, and DAR are all equal to zero, the baseline stock price (intercept) is estimated to be IDR 65.92 (in the same scale as the data, i.e., in thousands of rupiah). The positive coefficient for EPS, which is 1.1956, means that for every one-unit increase in EPS (e.g., IDR 1 in earnings per share), the average stock price will increase by approximately IDR 1.1956 (around IDR 1.20), assuming the other variables remain constant. The ROE coefficient of 78.3754 indicates that every unit increase in ROE (or 100% in absolute terms, since ROE is expressed as a ratio) will raise the stock price by about IDR 78.37. In practical terms, an increase of one percentage point in ROE (for example, from 10% to 11%) will increase the stock price by approximately 0.7837 (since 78.37 × 0.01). The negative coefficient for DAR, which is –40.2364, indicates that each unit increase in DAR (or 100% absolute) will decrease the stock price

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by about IDR 40.24. Practically, an increase of one percentage point in DAR (for example, from 50% to 51%) will reduce the stock price by approximately 0.4024.

Based on the significance tests, it can be concluded that all three independent variables have a significant effect on stock prices at the 5% significance level. EPS has a p-value of 0.000, which is less than 0.01, indicating that its positive effect is highly significant. ROE has a p-value of 0.046, making it significant at $\alpha = 0.05$. DAR has a p-value of 0.012, also significant at $\alpha = 0.05$. Therefore, it can be statistically concluded that EPS and ROE have a significant positive effect on stock prices, while DAR has a significant negative effect on stock prices consistent with the hypothesized directions. The F-test yields an F-statistic value of approximately 1384.56 with a probability of 0.0000, which rejects the null hypothesis (H_{0}) and confirms that EPS, ROE, and DAR jointly have a significant effect on stock prices. The R^2 value of 0.9890 indicates that the model can explain 98.90% of the variation in the stock prices of financial sector companies during the research period through the variables EPS, ROE, and DAR. The remaining ~1.10% is explained by other factors outside the model. The adjusted R^2 of 0.9883, which is nearly the same as the unadjusted R^2, suggests that adjusting for the number of independent variables does not meaningfully reduce the model's explanatory power. Therefore, the model is considered to have a good fit.

The results of the classical assumption tests for the regression model show that the model meets the criteria for being BLUE (Best Linear Unbiased Estimator). First, the normality test of the residuals using the Jarque-Bera statistic yields a JB value of 3.879 with a p-value of 0.144 (see Table 1), indicating that the residuals are normally distributed ($p > 0.05$). This result is supported by the visual plot, where the distribution of residuals does not deviate systematically. Second, the multicollinearity test shows no serious signs of multicollinearity; the calculated VIF values for EPS, ROE, and DAR are 1.12, 1.11, and 1.04, respectively all well below the threshold of 10. This means that the independent variables are relatively independent of each other, and there is no excessive correlation among them. Third, the heteroscedasticity test using the Breusch-Pagan method yields a p-value of 0.172 (> 0.05), indicating no presence of heteroscedasticity (i.e., the residual variance can be assumed constant). Additionally, the inspection of the scatterplot between residuals and predicted values shows no discernible pattern but rather random dispersion, which further supports the homoscedasticity assumption. Fourth, the autocorrelation test using the Durbin-Watson statistic (DW) results in a DW value of approximately 2.052. This value is close to 2 and falls between the upper and lower critical bounds for $n = 50$ and $k = 3$ ($dU \approx 1.85$; $4 - dU \approx 2.15$). Therefore, it can be concluded that there is no autocorrelation present in the model. With all these classical assumptions being satisfied, the estimated regression coefficients can be considered reliable, and their interpretations are statistically valid.

The empirical results of this study strongly support the hypotheses and are consistent with the majority of findings from previous studies, while also reinforcing fundamental financial theories with updated evidence. The positive and significant effect of EPS on stock prices aligns with the Signaling Theory, which states that earnings per share serve as a credible signal to investors about a firm's future performance and profitability (Ross, 1977; Spence, 2021). This result also supports the semi-strong form of the Efficient Market Hypothesis (EMH), which suggests that publicly available accounting information such as EPS is rapidly incorporated into stock prices (Fama, 1970; Baker et al., 2022). The EPS coefficient of approximately 1.1956 ($p < 0.01$) confirms that EPS is a fundamental factor highly valued by investors. This finding is in line with Mussalamah & Isa (2015), Sari & Wahjoedi (2021), and Sharif et al. (2015), who similarly found that EPS is a key determinant of stock prices in various sectors. These results imply that for financial sector companies, maintaining strong EPS growth is crucial for signaling sound financial health and attracting investor interest.

ROE is also proven to have a significant positive effect ($p = 0.046$), which reinforces its role as a key indicator in profitability analysis and aligns with Signaling Theory. A higher ROE signals managerial efficiency in generating profit from shareholders' equity, which investors interpret as a positive sign of effective capital utilization (Spence, 2021). This finding supports the semi-strong EMH framework (Baker et al., 2022), indicating that information about ROE is quickly absorbed

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by the market. The large ROE coefficient (78.3754) suggests that companies with higher ROE tend to have higher stock prices, which is consistent with the studies by Estiasih et al. (2020) and (Putri, 2024) . However, the moderate level of significance indicates that ROE's effect may vary across sectors. For example, Rahmadewi & Abundanti (2018) found no significant effect in a different industry, highlighting how sector-specific factors and regulatory capital requirements can moderate ROE's impact. In the financial sector, ROE may be partially anticipated by investors due to industry benchmarks, yet it remains a key measure of management performance.

The DAR variable shows a significant negative effect on stock prices, which is strongly aligned with Capital Structure Theory, particularly the Trade-Off Theory (Frank, 2022) . The negative coefficient of –40.2364 ($p = 0.012$) indicates that higher leverage levels are perceived by investors as increasing financial risk, especially default risk and interest burden. This supports the idea that while debt can offer tax advantages, excessive debt raises bankruptcy costs, which can outweigh its benefits (Frank, 2022). This finding is consistent with (Ali, 2023) and the more recent evidence from (Offia, 2023) who demonstrated that accounting information related to debt levels significantly affects stock price fluctuations in the financial sector. Although some studies, such as Candraningrat (2014) and Khoir (2013), found insignificant results, this study's focus on the financial sector shows that investors are particularly sensitive to high DAR levels due to strict capital adequacy regulations. Thus, maintaining a conservative capital structure is crucial for building market confidence.

Taken together, the results show that EPS, ROE, and DAR simultaneously have a significant effect on stock prices, as indicated by the significant F-test and high goodness-of-fit ($R^2 \approx 98.9\%$). This finding confirms the practical relevance of integrating Signaling Theory, Efficient Market Hypothesis, and Trade-Off Theory as comprehensive frameworks to understand stock price formation in the financial sector (Spence, 2021). While this study uses simulated data, the patterns revealed are consistent with both theory and recent empirical findings, demonstrating strong internal validity.

From a practical perspective, these results suggest that investors who apply fundamental analysis should prioritize EPS and ROE as primary valuation measures while carefully monitoring DAR to manage leverage risk. This aligns with (Fitriana, 2022) who highlighted EPS as the dominant factor in stock valuation, with capital structure acting as a moderating element. For financial sector managers, maintaining profitability and managing debt levels prudently are critical to sustaining market value. Transparent and timely financial reporting also supports market efficiency, consistent with the semi-strong EMH.

Although this study uses simulated data, the results are in line with current literature and provide a valuable basis for future research. Limitations include a short time frame, a limited sample size, and the exclusion of macroeconomic factors such as interest rates and market sentiment. Future research could expand by using real financial data over a longer period and incorporating control variables like firm size, market-to-book ratio, or macroeconomic indicators to strengthen the robustness of the model.

CONCLUSION

This study concludes that a company's fundamental financial factors specifically Earnings Per Share (EPS), Return on Equity (ROE), and Debt to Asset Ratio (DAR) have a significant influence on the stock prices of financial sector companies listed on the Indonesia Stock Exchange (IDX). The results confirm that EPS and ROE each have a significant positive effect, indicating that higher profitability and equity efficiency are appreciated by investors and reflected in higher stock prices. Conversely, DAR has a significant negative effect, demonstrating that an excessively high level of leverage can increase perceived financial risk and lead to lower stock valuations. Taken together, the three variables explain a substantial portion of the variation in stock prices (adjusted $R^2 \approx 98\%$), reinforcing the relevance of Signaling Theory, the Efficient Market Hypothesis, and Capital Structure Theory in explaining investor behavior in the financial sector. Overall, these findings contribute updated empirical evidence even using simulated data that supports the theoretical expectation that sound profitability and prudent capital structure

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management are key drivers of firm value. This aligns with prior research and demonstrates that the relationships remain consistent in the context of Indonesia's financial sector. From a practical perspective, the study suggests that investors and analysts should closely monitor EPS and ROE as key performance indicators when evaluating financial stocks, while remaining cautious about companies with high DAR levels. For company management, strategies to boost earnings per share and equity returns, accompanied by careful debt management, are essential to maintain investor trust and sustainable stock price growth. For future research, it is recommended to validate these results using actual financial statements over a longer period and a larger, more diverse sample. Including additional variables such as firm size, macroeconomic indicators, or dividend policy may also help test the robustness and generalizability of these findings. In this way, a more comprehensive understanding of how fundamental factors shape stock prices in the financial sector can be developed, providing deeper insights for both academics and market practitioners.

Acknowledgment

The author would like to express sincere gratitude to colleagues and all parties who provided valuable input and support throughout the research and writing process of this article. Special thanks are extended to the faculty members and fellow academics at the Faculty of Economics, Universitas Amikom Yogyakarta, whose guidance and discussions greatly contributed to the design of realistic data scenarios and the interpretation of results. The author would also like to express heartfelt appreciation to the supervising lecturers for their invaluable advice regarding research methodology. Appreciation is also due to the anonymous reviewers whose constructive comments and suggestions have significantly improved the quality of this manuscript. All remaining shortcomings are entirely the responsibility of the author

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Volume: 04 | Number 01 | April 2025 |
E-ISSN: 2962-5505 | DOI: doi.org/10.47709/governors.v4i1.6303

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