



## THE EFFECT OF FINANCIAL PERFORMANCE ON THE STOCK PRICE OF COMPANIES WITH EARNINGS PER SHARE AS A MODERATING VARIETY (CASE STUDY ON PROPERTY AND REAL ESTATE COMPANIES LISTED ON THE IDX IN 2019-2023)

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### Abstract

*This research aims to determine the effect of financial performance on company share prices with earnings per share as a moderating variable (case study of property and real estate companies listed on the BEI in 2019-2023). The sample for this research is 52 property and real estate sector companies listed on Indonesia Stock Exchange (BEI) and which submitted consecutive annual financial reports during the 2019-2022 period. The analysis tool used is panel data regression using descriptive statistics, classical assumption tests and hypothesis testing has no effect on share prices in property and real estate sector companies listed on the BEI for the 2019-2023 period, then EPS is unable to influence ROA and DER on share prices in property and real estate sector companies listed on the BEI for the 2019-2023 period.*

**Keywords:** *stock price, return on asset, dept to equity ratio, earning per share*

### Introduction

The business world is developing very rapidly in the current era of globalization, as can be seen from the many new businesses that have emerged with advantages over their competitors. This means that to be able to develop and compete with other businesses, every company must be able to develop its business. Stock trading, or securities trading, is a common way to attract public capital, provided by investors, for the sake of economic expansion. This investment provides companies with access to growth funding (Purnama Siddik et al., 2023).

Indonesia is experiencing the Covid-19 pandemic, a disease outbreak that originated in Wuhan, China and has hit the world. The pandemic has had a major impact on the economy in Indonesia, one of which is the property sector and a number of other sectors have also been quite severely affected since the beginning of the pandemic. This major impact is partly because people are holding back on consuming long-term needs or assets. Changes in people's attitudes have occurred because the pandemic has resulted in restrictions on economic, social, and mobility activities. This has had an impact on disrupting the stability of the national economy and the purchasing power of people's households.

According to Wardana & Fikri, (2020), stock prices are prices that occur on the stock exchange at a certain time. Stock prices can change up or down in a very fast time. Stock prices can change in minutes or even seconds. This is possible because it depends on the supply and demand between stock buyers and stock sellers. According to Kasmir, profitability is the ability of a company to generate profits from its operational activities. This is very important for the survival and growth of the company. Then according to Saifulloh & Damayanti (2023), said the stock price is proof of capital/fund ownership in a company in the form of a piece of paper that clearly states the nominal value, company name and is followed by the rights and obligations explained to each holder. The main factor that can affect the stock price is the financial performance of the company itself.

Then according to Arsita (2021), financial performance is the results or achievements that have been achieved by company management in managing company assets effectively during a certain period. Financial performance is very much needed by companies to know and evaluate the level of success of the company based on the financial activities that have been carried out. The profitability of a company can be assessed in various ways depending on the profit and assets or capital that will be compared with each other (Irhamna et al., 2023).

The following ratios are relatively often used by market players, namely DER, which is a ratio that investors often use to measure a company's performance. According to Nadya in (Anggreani & Sudarsi, (2023) Debt to Equity Ratio (DER) is the ratio of debt to capital. This ratio measures the company's ability to pay off debts with its own capital. The higher the DER, the greater the capital used in the company's operations, so the risk borne by

*The Effect of Financial Performance on the Stock Price of Companies with Earnings Per Share as a Moderating Variety (Case Study on Property and Real Estate Companies Listed on the IDX in 2019-2023)*

Arya Permana Ginting<sup>1</sup>, Rico Nur Ilham<sup>2</sup>, Ghazali Syamni<sup>3</sup>, Chairil Akhyar<sup>4</sup>

investors will also be higher and will have an impact on stock prices. The high Debt to Equity ratio also reflects the company's increasingly low solvency so that the company's ability to pay its debts is low, which means that the company's risk is relatively high. Then according to Azizah & Putra, (2022) Debt to Equity Ratio is part of the solvency ratio which aims to determine the company's competence by comparing the amount of liabilities with the equity owned by the company and shareholders.

The following ratios are relatively often used by market players, namely: EPS, is a ratio that investors often use to measure a company's performance. According to Kusumaningdinni & Takarini (2021), the EPS ratio measures how much of the company's net profit is contained in one outstanding share. Earnings per common share (EPS) is a ratio that measures the company's success in providing profits to common shareholders which can explain the relationship between the amount of net profit and the shareholder's ownership share in the company. Potential investors in making investment decisions will use this earnings per common share among the various ratios available. The distribution of profits made by the company to shareholders is called dividends.

The company's share price in the Property and Real Estate sector has decreased on average from 2019 to 2023. Seen in the figure above in 2020 sectorally, the performance of property sector stocks experienced a decline in share prices by 24.3%, followed by a decrease of 19.1% in 2021. In 2022, the property & real estate sector plunged 8.0%. In 2023, it experienced an increase of 0.4% year to date (YTD) to a level of 714.17. (idx.co.id). With this problem, the researcher took the stock price in property sector companies because of the decline in stock prices.

The moderation relationship of Earning Per Share is proven by research conducted by Siswanti, (2024) which shows that Earning Per Share is able to strengthen the influence of profitability on stock prices. Haryanti & Murtiasih (2019), and Rinofah, et. al. (2022) which states that EPS is unable to influence ROA on stock prices. Based on the background of the problems that have been expressed, the researcher is interested in conducting research with the title "The Effect of Financial Performance on Company Stock Prices with Earning Per Share as a Moderating Variable (Case Study of Property and Real Estate Companies Listed on the IDX in 2019-2023).

**Research Method**

The population of this study is all Property and Real Estate sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023 that consistently submit their financial reports on the website www.idx.co.id with a population of 92 companies. Then the sampling technique in this study uses purposive sampling, with a sample size of 52 companies with a total of 260 observations.

**Table 1 Operational Definition of Variables**

No	Variables	Definition	Indicator	Scale
1	Share Price (Y)	Stock prices are a reflection of investor expectations regarding earnings factors, cash flow and the level of return required by investors, all three of which are also greatly influenced by macroeconomic performance (Yani et al., 2021).	Closing price	Ratio
2	Return on Asset (X1)	comparison between net profit and total assets. This ratio shows how much net profit the company earns when measured by the value of its assets. The higher the ratio, the better because the company is considered capable of using its assets effectively to generate profits (Nurmiati & Pratiwi, 2022).	Return On Asset= (Net Profit)/(Total Assets) X 100%	Ratio
3	Debt to Equity Rasio (X2)	ratio used to assess debt to equity. This ratio is sought by	Debt to Equity Ratio= (Total Debt)/(Total	Ratio



	comparing all debts, including current debt with all equity. This ratio is useful for knowing the amount of funds provided by borrowers with company owners. In other words, this ratio functions to find out every rupiah of own capital that is used as collateral for debt (Aminah, 2019).	Equity) X100%
4	Earning Per Share (X3) Earning Per Share or earnings per share ratio is a financial ratio used to assess the ability of company management to achieve profits for the company's shareholders. Earning Per Share can be calculated by comparing net profit after tax with the number of shares outstanding. The higher the EPS value, the higher the level of profit given to shareholders and the greater the amount of dividends received by shareholders (Saputra et al., 2024).	Earning Per Share = (Net Profit)/(Number of Outstanding Shares) X100% Ratio

**Results and Discussion**

**Tabel 2 Regresi moderatet regression analysis (random effect model)**

Variable	Model 1		Model 2		Model 3	
	koefisien	t-Stat	koefisien	t-Stat	koefisien	t-Stat
C	1508.540	2.219808	1527.383	2.361439	1454.951	2.376721
ROA	16.03893	0.938653	-34.15985	-1.309285	-51.87639	-1.882312
DER	-100.0647	-0.293880	-212.2361	-0.572256	-225.5944	-0.610943
EPS			2.543341	2.539938	4.059966	2.874964
ROA_EPS					0.051020	1.867736
DER_EPS					-1.331006	-0.534485
R-SQUARED	0.004466		0.028778		0.049474	
Adj R- squared	-0.003282		0.017397		0.030762	

Source: Eviews Results Data processed, (2024)

Notes: ROA (Return On Asset), DER (Debt to Equity Ratio), EPS (Earning Per Share)

Based on Table 2, the calculation results of the moderated regression analysis model 1 regression test are as follows:

$$HS = 1508.540 + 16.03893 \text{ ROA} - 110.0647 \text{ DER}$$

1. The equation above can be explained as follows:
2. The constant value of 1508.540 means a constant or state when the stock price variable has not been influenced by other variables or in this case the ROA and DER variables. If the independent variable is in a constant state or does not change (equal to 0), then the value of the stock price variable is 1508.540.
3. The coefficient value of the ROA variable is 16.03893. This means that if there is a 1% increase in the ROA variable, the stock price variable will increase by 16.03893.

The coefficient value of the DER variable is 0.055009. This means that if there is a 1% increase in the DER variable, the stock price variable will decrease by -110.0647.

*The Effect of Financial Performance on the Stock Price of Companies with Earnings Per Share as a Moderating Variety (Case Study on Property and Real Estate Companies Listed on the IDX in 2019-2023)*

Arya Permana Ginting<sup>1</sup>, Rico Nur Ilham<sup>2</sup>, Ghazali Syamni<sup>3</sup>, Chairil Akhyar<sup>4</sup>

Furthermore, based on the panel data regression test in table 4.8, the calculation results from the moderated regression analysis model 2 test are as follows:

$$HS = 1527.383 - 34.15985ROA - 212.2361 DER + 2.539938 EPS$$

The equation above can be explained as follows:

1. The constant value of 1527.383 means a constant or state when the stock price variable has not been influenced by other variables or in this case the ROA, DER and EPS variables. If the independent variable is in a constant state or does not change (equal to 0), then the value of the stock price variable is 1527.383.
2. The coefficient value of the ROA variable is -34.15985. This means that if there is a 1% increase in the ROA variable, the stock price variable will decrease by -34.15985.
3. The coefficient value of the DER variable is -212.2361. This means that if there is a 1% increase in the DER variable, the stock price variable will decrease by -212.2361.
4. The coefficient value of the EPS variable is 2.543341. This means that if there is a 1% increase in the EPS variable, the stock price variable will increase by 2.543341.

Based on the panel data regression test in table 4.8, the calculation results from the moderated regression analysis model 3 test are as follows:

$$HS = 1454.951 - 51.87639ROA - 225.5944 DER - 4.059966 EPS + 0.051020 ROA\_EPS - 1.331006 DER\_EPS$$

The equation above can be explained as follows:

1. The constant or intercept is 1454.951, meaning that if the ROA and DER values are constant or fixed, the EPS value is 1454.951.
2. Furthermore, the stock price proxied by ROA has a coefficient of -51.87639, which means that when the ROA value increases by 1%, the stock price will decrease by -51.87639.
3. Furthermore, the stock price proxied by DER has a coefficient of -225.5944, which means that when the DER value increases by 1%, the stock price will decrease by -225.5944.
4. Furthermore, the stock price proxied by EPS has a coefficient of 4.059966, which means that when the EPS value increases by 1%, the stock price will increase by 4.059966.
5. Furthermore, it can be seen that the coefficient value of the interaction variable DER\_EPS has a coefficient value of 0.051020, which means that when DER\_EPS increases by 1%, the stock price will increase by 0.051020.
6. Furthermore, it can be seen that the coefficient value of the interaction variable DER\_ROA has a coefficient value of -1.331006, which means that when DER\_ROA drops by 1%, the stock price will drop by -1.331006.

This study examines the Influence of Financial Performance on Company Stock Prices with Earning Per Share as a Moderating Variable (Case Study of Property and Real Estate Companies Listed on the IDX in 2019-2023). With the following results:

1. The Effect of Return On Assets (ROA) on Stock Prices

ROA on stock prices, the test results in the table above show a t-statistic value of -1.882312 and a probability value of 0.0609 < 0.05. This shows that ROA has no effect on stock prices in property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period, thus H1 in this study is rejected. This is in line with research conducted by Pangaribuan and Suryono (2019); Efendi and Ngatno (2018). which states that ROA has no effect on stock prices.

2. The Influence of Debt To Equity (DER) on Stock Prices.

DER on stock prices, the test results in the table above show a t-statistic value of -0.610943 and a probability value of 0.5418 > 0.05. This shows that DER has no effect on stock prices in property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period, thus H2 in this study is rejected. This research is in line with research conducted by Sundari and Irawan (2024), Nathania and Wijaya (2023). showing that DER has no effect on stock prices.

3. Earning Per Share (EPS) in moderating the effect of Return On Assets (ROA) on Stock Prices





EPS in moderating the effect of ROA on Stock Prices, the test results in the table above show a t-statistic value of 1.867736 and a probability value of  $0.0630 > 0.05$ . This shows that EPS is unable to moderate the effect of ROA on Stock Prices in property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period, thus H3 in this study is rejected. This research is in line with research conducted by Haryanti & Murtiasih (2019), and Rinofah, et, al. (2022) which states that EPS is unable to influence ROA on stock prices.

#### 4. Earning Per Share (EPS) in moderating the effect of Debt To Equity (DER) on Stock Prices

EPS in moderating the effect of DER on Stock Prices, the test results in the table above show a t-statistic value of -0.534485 and a probability value of  $0.05935 < 0.05$ . This shows that EPS is able to moderate the effect of DER on Stock Prices in property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period, thus H4 in this study is accepted. This research is in line with the research of Laylia and Munir (2022) and (Sari et al., 2024) which states that EPS is able to moderate the effect of DER on stock prices.

### Conclusion

1. Return On Assets (ROA) has a negative effect on the share price of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period.
2. Debt To Equity (DER) has no effect on the share price of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period.
3. Earning Per Share (EPS) is not able to moderate the effect of Return On Assets (ROA) on Share Prices in property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period.
4. Earning Per Share (EPS) is able to moderate the influence of Debt To Equity (DER) on Stock Prices in property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period.

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*The Effect of Financial Performance on the Stock Price of Companies with Earnings Per Share as a Moderating Variety (Case Study on Property and Real Estate Companies Listed on the IDX in 2019-2023)*

Arya Permana Ginting<sup>1</sup>, Rico Nur Ilham<sup>2</sup>, Ghazali Syamni<sup>3</sup>, Chairil Akhyar<sup>4</sup>

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