Affecting Factors Stock Price: Earnings Per Share as Moderating Variable

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ABSTRACT

Purpose: Determine how financial measures affect stock prices using the Earnings Per Share mediation variable.

Design/methodology/approach: Research methodologies using quantitative techniques. The study population consisted of consumer cyclical companies listed on the Indonesia Stock Exchange between 2020 and 2022. Deliberate selection methods were used in the selection of these firms. The study used Moderated Regression Analysis Test using SPSS software version 29.

Findings: Earnings per share acts as a mediator between the stock price and the debt-to-equity ratio, however Earnings Per Share cannot considerably alter the stock price or lessen the impacts of return on assets.

Research limitations/implications: Small sample, short periods, companies neglect operational assets.

Practical implications: The Effects of Stock Price and Earnings Per Share with a Moderate Debt to Equity Ratio.

Originality/value: Empirical evidence indicates that profits per share mediate between the influence of debt policy and stock prices.

Paper type: Research Paper

Keywords: Stock Price, Return on Asset, Debt to Equity Ratio, Earning Per Share.

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I. INTRODUCTION

At the beginning of 2022, the world was shocked by the outbreak of war between Russia and Ukraine, although the COVID-19 pandemic has not fully subsided. The conflict that began in February 2022 has caused a significant impact on the global Gross Domestic Product, with a decline of US$2.8 trillion. The war has disrupted global supply chains, particularly in the food and energy sectors, increasing inflation rates in many countries. The economic impact of Russia's invasion includes rising commodity prices, the threat of a food crisis, stock market volatility, loss of corporate confidence, and slowing economic growth (Reditya, 2022).

In addition, at the end of 2022, the stock market on Wall Street experienced a significant decline, causing the worst monthly and annual losses since 2008. Wall Street is facing its most severe yearly decline since the 2008 financial crisis, triggered by losses in the tax market and concerns over the future of corporate profits and the performance of American consumers. According to Dow Jones market statistics, the S&P 500 had a four-week run of declines in a row, marking the longest run since May. The S&P 500 dropped by 0.1%, the Nasdaq dropped by 0.3%, and the Dow Jones fell by 0.2%. The three top indexes had their worst annual decline since the 2008 global financial crisis. In 2022, the Nasdaq, which technology companies mainly impact, plunged 33.1%, the S&P 500 sank 19.4%, and the Dow Jones fell 8.8%. The data reflects significant pressures on financial markets and creates concerns about economic conditions and investment prospects (Aflaha, 2022). So the global economic crisis can cause all sectors of the world market economy to collapse (emergency) and affect other sectors around the world (Sari & Salsabila, 2023).

The Consumer Cyclical sector, included in the latest sector classification of the Indonesia Stock Exchange as of January 2021, is directly related to economic growth. In 2021, the Consumer Cyclical sector showed a positive performance, being the main contributor to the strengthening of JCI by 3.55%. This could pique investors'
interest in investing and send a positive signal to them. Businesses operating in the Consumer Cyclical sector performed better that year. Factors including growth, profits per share, profitability, capital structure, debt policy, and firm size heavily influence the share price (Mahendra Dj et al., 2012).

Due to changes in the global economic environment and radical customer demand, business companies are also faced with intense competition intensity and uncertain operational environment, so companies cannot take action in the early phase of bankruptcy; this not only has a significant impact on shareholders, creditors, managers, and other stakeholders but also has an impact on a nation's social and economic stability. Companies in the consumer cyclical sector have demand patterns that are strongly influenced by the business cycle and face fierce competition in their domestic and global industries. Today's massive technology advancements have impacted many businesses in the consumer cyclical industry sector.

According to statistics from the Composite Stock Price Index for April 2023, which reached a level of 6,915 with a rise of 0.95%, the capital market growth in Indonesia is showing a declining trend. This figure is lower than the growth in 2022, which reached 4.09% and recorded the highest level on September 13, 2023, at 7,318. According to IDX data, the Composite Stock Price Index has dropped four times in the previous ten years: in 2013, 2015, 2018, and 2020. Despite the fluctuations, the Composite Stock Price Index managed to recover in 2014 with a significant increase of 22.29% after previously experiencing a decline of 0.98% in 2013 due to the Fed's interest rate policy, which negatively affected the Indonesian stock market (Binekasri, 2023a).

In 2019, the Composite Stock Price Index continued to grow by 1.70%, although this figure was lower than the previous year. However, the COVID-19 pandemic event in 2020 impacted the Composite Share Price Index, leading to a tremor in the company's performance and a 5.09% decline in the index. However, the following year, the Composite Stock Price Index recovered with a growth of 10.08%. The total stock market capitalization value at the end of 2021 reached IDR 8,255.62 trillion, showing an increase of 18.4% year on year. The Indonesia Stock Exchange has normalized stock trading hours starting April 3, 2023, after the impact of the pandemic. However, the effect of the policy has not been fully felt, as reflected in the Average Daily Transaction Value of IDR 8.45 trillion (Binekasri, 2023b).

Naturally, a firm with a high profitability ratio would pique the attention of investors more, and vice versa (Pratama et al., 2022). The results also demonstrate that the firm's management successfully manages its resources, gains investors' confidence, and increases the value of its shares (Yuliana et al., 2022).

The stock price increases with a more significant debt strategy, indicating that the corporation may save on taxes. But a high debt policy without the benefits gained from the use of debt will cause a decrease in stock prices because investors cannot trust the company.

Stockholders will benefit from increased earnings per share because they will profit more significantly. Investing interest among investors increases with earnings per Share, and considering that a company's high earnings per Share indicates its strong performance. Stock prices will undoubtedly rise as a result of this. Since investors have faith in the business (Haryanti et al., 2019).

This is because the increased availability of goods in the market due to the use of debt can generate higher profits (Janaina et al., 2022). Despite what some academics believe, debt policy does not influence stock prices since it does not influence investors' choices to invest in firms (Andriani et al., 2022). Meanwhile, other researchers state that the higher profitability the less profit is returned to investors (Laalita et al., 2022).

This is important to consider since earnings per Share shows what proportion of a company's net profit may be given to its shareholders. Typically, investors prioritize earnings per Share when analyzing companies and making investment decisions. Earnings Per Share can provide a comprehensive assessment of the return on capital for each stock and the company's overall performance. When profitability is considered about profits per Share, the impact on stock prices is more significant. This contrasts previous research that claimed Earnings Per Share might offset the effects of debt policy and profitability (Haryanti et al., 2019).

This paper uses earnings per Share as a mediating variable to investigate how debt policy and profitability affect stock prices. Earnings Per Share is an indicator that is most often taken into account by investors before making investment decisions because all the results that the company can achieve can directly impact the amount of profit obtained by the number of shares owned (Dina et al., 2013).

A. Signaling Theory

Signaling Theory is a concept in which the management of a company gives signals to investors about the prospects of the company (Brigham & Houston J. F, 2016). The capital market is informed that the firm's owners are interested in the diversification plan when company executives increase their shareholdings. Leaders of young companies conducting initial public offerings elect a board of directors of various prestigious groups to message potential investors about the company's legitimacy. It shows how a party can take action to provide an underlying quality signal to another party.
B. Stock Price

To maximize shareholder wealth, the company’s shares should be worth more. The average investor's projected cash flow is represented in the stock price at any given time, should they choose to buy the shares. Stock prices in the capital market are set by the stock exchange and are influenced by supply and demand for shares. Naturally, there are variations in stock prices throughout stock exchange trading hours (Hartono, 2017). Thus, the quantity of shares issued in the capital market within a certain period is called the “share price.” This depends on the supply and demand for shares on the capital market, and the approximate amount of money investors are willing to spend to purchase shares.

1. The Effect of Debt Policy on Stock Prices

One of the most important aspects of a company’s management’s financial decisions is its debt strategy. Riyanto (2011). This involves obtaining financial resources outside the company to support its operational aspects of a company’s management's financial decisions is its debt strategy. Additionally, prior studies have shown that the company’s operations are financed by debt and that debt is productive, so as to increase stock prices (Anjayagni at el., 2020). The impact of debt policy on stock prices: As debt policy increases, the company's stock price may climb because of its debt management plan, which lowers tax obligations (Janaina at el., 2022). So, debt policy is very influential on stock prices. One of the most important instruments available to investors to assess the prospects of a business is its debt policy. Furthermore, debt policy helps businesses maximize the taxes they must pay.

H1: Stock Prices Are Significantly Affected by Debt Policy

2. The Effect of Profitability on Stock Prices

An important factor in increasing the share price of a company is its profitability. A rise in stock prices is often correlated with improved profitability, as stated by Aisyah et al. (2023). Additionally, prior studies have shown that businesses with substantial assets can likely pay their debts (Alamsyah, 2019). Furthermore, different research claims that high-profitability businesses often draw investors, but low-profitability businesses may attract fewer investors (Pratama et al., 2022). A high degree of profitability paints a favorable image of the company’s prospects by demonstrating the potential to create profits from forecasted equity (Lutfi Apriliana et al., 2021). As a result, profitability, particularly in the form of Return on Assets, significantly impacts share price as it shows how well management manages assets and wins over investors, both of which raise the company’s share price.

H2: Profitability Affects Stock Prices Significantly

3. The Effect of Debt Policy on Stock Prices with Earnings Per Share as a Mediation Variable

Higher debt-to-equity ratios indicate that the business is having more difficulty paying its debts, which might depress stock prices and worsen investor sentiment. Alternatively, a low debt-to-equity ratio may be a sign of brighter times to come and might attract investors and raise stock prices. This outcome is consistent with earlier studies that look at how the debt to equity ratio affects company prices, as shown by Novitasari & Prasetyo (2017), and Bailia et al. (2016). However, with earnings per share being a significant concern for shareholders, the level of debt-to-equity ratio can be suppressed, because the primary purpose of investment activities is to earn profits, and with high Earnings Per Share, companies can increase trust and profits for shareholders, thereby reducing the impact of high levels of Equity Ratio.

This study is consistent with earlier research by Janitra & Kesuma (2015). According to Janitra & Kesuma (2015), stock returns and earnings per share are significantly correlated. High earnings per share (EPS) ratio will also pique investors' interest in investing and raise stock prices, resulting in higher capital returns for investors. A high debt-to-equity ratio impacts stock returns. If there is a relationship between profits per share and the debt-to-equity ratio, then earnings per share could potentially significantly impact stock performance. Furthermore, prior study confirms similar results, as stated by Pratiwi et al. (2016), Widawati & Ilat (2016), Endraswati & Noviyanti (2015), and Hunjra et al. (2014).

H3: The impact of debt policy on stock prices is mitigated by earnings per share.

4. The Effect of Profitability on Stock Prices with Earnings Per Share as a Mediation Variable

Before investing, investors consider indicators like return on earnings per share and assets. A high return on assets indicates that the business uses its resources effectively. The net profit from each unit of money invested in all assets rises with a greater Return on Assets. A low return on assets indicates that the net return earned by each unit of money invested in all assets could be better. Significant earnings have a substantial rate of return, which attracts investors. As a result, an increase in Return on Assets will boost Demand, increase Earnings Per Share, and ultimately improve the stock price. This investigation aligns with prior research endeavors conducted by Faidah & Wismar’ein (2021) and Kimberly (2021). It is said that earnings per share may control the impact of...
profitability on stock prices. However, this research is negatively correlated with that carried out by Remigius et al. (2022) and Endraswati & Noviyanti (2015) which claims that profits per share cannot regulate the impact of profitability on stock prices.

**H0:** The impact of profitability on stock prices might be mitigated by earnings per share.

### II. METHODS

This research is a type of Causal Associative research, which is to obtain evidence of causal relationships (causal relationships). The associative method is a way of conducting research that involves looking at connections between multiple variables to build a theory that can be used to describe, estimate, and manage phenomena (Sugiyono, 2017), using quantitative research techniques since the information used is financial statement information reaped from the Indonesia Stock Exchange (IDX) and the business website. Quantitative research is a scientific method where data is gathered as numerical data that can be processed and examined by statistical or mathematical computations (Sekaran & Bougie, 2017).

The sample for this research consists of 151 Indonesia Stock Exchange-listed Consumer Cyclicals companies. The sampling strategy that is used is called the purposive sampling technique. Turner P. (2020) defines purposive sampling as a sampling strategy where the researcher chooses a sample according to specific standards relevant to the study's objective, ensuring that it contains people or things with attributes comparable to the studied object. Researchers choose samples according to specific standards, such as cyclical sector businesses registered on the Indonesia Stock Exchange, providing yearly financial statements, remaining suspended-free, and turning a profit over the observation period. These parameters allowed for selecting 25 businesses as a sample, collecting observational data throughout three periods, and acquiring up to 75 observational data points.

**Table 1. Variable Operationalization**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measurement</th>
<th>Previous Research</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Independent:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Policy</td>
<td>( DER = \frac{Total\ Liabilitas}{Total\ Ekuitas} )</td>
<td>Uzliawati et al. (2018) and Abidin et al. (2014),</td>
</tr>
<tr>
<td>Profitability</td>
<td>( ROA = \frac{EBIT}{Total\ Aset} )</td>
<td>Lutfi Apriliana &amp; Yudiana Eka Fetria (2021)</td>
</tr>
<tr>
<td><strong>Moderating:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings Per Share</td>
<td>( EPS = \frac{Net\ Income}{Share\ Out} )</td>
<td>Dina et al. (2013) dan Haryanti &amp; Murtiasih (2019)</td>
</tr>
</tbody>
</table>

Source: Processed by Researchers, 2024

MRA is the data analysis method that is used. The term "moderated regression analysis" refers to a kind of mediated regression analysis that gives a framework for controlling the influence of mediating variables while maintaining sample integrity (Ghozali, 2018). Based on the model, this test uses SPPS (statistical product and service solution) software version 29 which will be used to conduct Moderated Regression Analysis on the data collected for this study. According to Purnomo (2016), the residual normality, multicollinearity, autocorrelation, and heteroscedasticity of regression models are assessed using traditional assumption tests. Moderated Regression Analysis is used to moderate the test. Here is the equation:

\[
Stock\ Price = a + b1*DER + b2*ROA + b3\ DER*EPS + b4\ ROA*EPS + e
\]
III. RESULTS AND DISCUSSION

A. Results
1. Classical Assumption Test Results

This research investigates the relationship between return on assets and the variable debt-to-equity ratio through predetermined sample criteria and how they affect stock prices. Testing traditional assumptions is the study’s first stage. It takes classical assumption testing to ensure the data collected are bias-free, linear, and optimum. Traditional assumptions like normality, multicollinearity, heteroscedasticity, and autocorrelation must be tested before data regression. The table below displays the typical assumption test results:

<table>
<thead>
<tr>
<th>Test Type</th>
<th>Test Results</th>
<th>Criterion</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normality Test</td>
<td>Value Monte Carlo 0.342</td>
<td>&gt;0.05</td>
<td>Pass the Normality Test.</td>
</tr>
<tr>
<td></td>
<td>Monte Carlo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multicollinearity Test</td>
<td>Tolerance DER value 0.950 and VIF DER value 1.053</td>
<td>&gt;0.05</td>
<td>Passes Multicollinearity Test.</td>
</tr>
<tr>
<td></td>
<td>Tolerance ROA value 0.970 and VIF ROA value 1.031</td>
<td>Value VIF: &gt;10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPS Tolerance Value 0.35 and VIF EPS Value 1.041</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heteroscedasticity Test</td>
<td>DER Significance Value 0.490</td>
<td></td>
<td>Pass the heteroscedasticity test</td>
</tr>
<tr>
<td></td>
<td>ROA Significance Value 0.557</td>
<td>Significance Value &gt;0.05</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPS Significance Value 0.309</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Autocorrelation</td>
<td>Value DU = 1,7092</td>
<td>DU&lt;DW&lt;4-DU</td>
<td>Pass the Autocorrelation test.</td>
</tr>
<tr>
<td></td>
<td>Durbin Watson</td>
<td>Value DW = 1,983</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Value 4-DU = 2,2908</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,7092&lt;1,983&lt;2,2908</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data processed, 2024
The data could be regarded as normal according to the findings of the Monte Carlo normality test if the significance value of 0.342 is more than 0.05. Since all independent variables had tolerance values more than 0.05 and VIF values less than ten, within the permitted limits, the multicollinearity test likewise shows no problems. The absence of heteroscedasticity markers in the data was established by the Glejser heteroscedasticity test findings, which indicated that the significance value was more significant than 0.05. Ultimately, DW values within the range indicate the lack of autocorrelation in the Durbin-Watson technique's autocorrelation test.

2. Result Moderated Regression Analysis

In this research, the hypothesis is tested using modified regression analysis. "Moderated regression analysis," in which the regression equation accounts for interaction between two or more independent variables, is a novel use of linear multiple regression examining the relationship between independent and dependent variables while considering mediation factors that either increase or decrease the correlation is the aim of moderated regression analysis. After comparing the Moderated Regression Analysis test results with the following hypothesis framework, Table 3 below presents the test findings:

![Figure 1. Hypothesis Framework](image)

Source: Processed by Researchers, 2024

<table>
<thead>
<tr>
<th>Variable</th>
<th>P Value</th>
<th>Criterion</th>
<th>Result</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Policy</td>
<td>0.011</td>
<td>&gt;0.05 Has no significant effect</td>
<td>Significant Effect</td>
<td>H1 Accepted</td>
</tr>
<tr>
<td>(DER)</td>
<td></td>
<td>&lt;0.05 Has a Significant Effect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td>0.973</td>
<td>&gt;0.05 Has no significant effect</td>
<td>No significant effect</td>
<td>H2 Rejected</td>
</tr>
<tr>
<td>(ROA)</td>
<td></td>
<td>&lt;0.05 Has a Significant Effect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DER*EPS</td>
<td>0.008</td>
<td>&gt;0.05 Has no significant effect</td>
<td>Significant Effect</td>
<td>H3 Accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&lt;0.05 Has a Significant Effect</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Effect of Return on Assets on Stock Prices

Results of a Moderated Regression Analysis are shown in Table 3, emphasizing the substantial influence of the variable Debt Policy (Debt to Equity Ratio) and its relationship to profits per share on stock prices. In this instance, the p-value Equity Ratio of 0.011 and the coefficient Return on Assets of 0.008 corroborate the study. Therefore, both are suitable. Nonetheless, as shown by the coefficient values with p-values of 0.829 and 0.973, there is no significant correlation between stock prices and the variables Earnings Per Share and Profitability (Return on Assets). His idea had to be disproved to satisfy the requirements of importance. Create the regression equation using the preceding table as a guide:

\[
\text{Stock Price} = 2.378 \cdot 1,920 \cdot \text{DER} - 0.009 \cdot \text{ROA} + 0.182 \cdot \text{EPS} + 0.005 \cdot \text{ROA} \cdot \text{EPS} + e
\]

This study employed a linear regression model with moderated regression analysis to investigate the relationship between profitability (Return on Assets) and debt policy components (Debt to Equity Ratio) about the stock price. Return on asset and profits per share are related, as well as profits per share and the debt-to-equity ratio.

1. The company price will increase by 2.378% if the variables Debt to Equity Ratio, Earnings per Share and Return on Assets mediation are all constant, according to the coefficient value of 2.378.
2. The ratio to stock price for the Debt to Equity regression coefficient is b = -1.920. A negative number means the company's value will drop by 1.920% for every 1% rise in the debt-to-equity ratio and vice versa. The stock price and return on assets have a regression association of b = -0.009. For every 1% increase in Return on Assets, a negative number means that the company's value will drop by 0.009%, and vice versa.
3. The significant value of the debt-to-equity ratio is less than 0.05, however the variable's significance value indicates that the return on assets is meaningless (> value of 0.05). This suggests that although return on assets is impacted by stock price swings, the debt to equity ratio is not.
4. The link between DER. Return on Assets, and share price was also proven to be mediated by earnings per share. There is a 0.182 DER*EPS coefficient and a 0.005 ROA*EPS. Thus, reducing return on assets is not feasible; However, earnings per share can reduce the impact of the ratio to equity on share prices.

This finding illustrates the complexity of the interaction of these variables in influencing the value of a company's stock. The implication is that this research makes an important contribution to stakeholders and decision makers in the financial world, opening up opportunities for better risk management and the development of more optimal investment strategies.

B. Discussion

1. Effect of Debt to Equity Ratio on Stock Price

The investigation's findings demonstrate that debt significantly affects the stock price-to-equity ratio. Given the company's financial constraints, a low debt-to-equity ratio suggests a decline in share demand, which might lead to a decline in the share price. A decrease in the debt-to-equity ratio also reduces stock prices since short-term debt comprises the majority of debt. Conversely, a high debt-to-equity ratio shows that a large amount of creditor money has been used, which increases the expense and risk related to the company's equity. Even though financing a firm with debt may initially increase its value, over time, this expansion may decrease the company's worth. Changes in the debt-equity ratio, thus, impact investors' perceptions of the company's capacity to provide optimum returns and the share price, which in turn influences demand for the company's shares. This finding is in line with previous research, Estuari (2010), Absaï et al. (2013) and Komala et al. (2013) in Indonesia. The findings of this investigation vary from Nguyen & Schubler (2013) in UK.

2. The Effect of Return on Assets on Stock Prices

The analysis's findings indicate that a decline in the company's earnings might lower the price of its shares, which is usually caused by a low Return on Assets because the company has not effectively utilized its assets. A company's return on assets may decline even if it has a lot of assets and its revenue is poor. Firm value is unaffected by both high and low levels of profitability; contradictory evidence indicates that return on assets has little effect.
on stock prices. This is because it raises concerns about the company's capacity to employ its assets efficiently since having more assets sometimes means having more revenue. Even with solid profits, the retained earnings ratio is lowered if the firm has a large debt load. As a result, the company cannot maximize its equity, which affects its restricted capital and production capacity. In addition, investor interest is also reduced so that the stock demand will decrease. Despite the recovery, investors do not see profitability as a significant factor in share purchase decisions in the sector. The findings support previous research. Hidayat & Khotimah (2022), which confirms that investors are more likely to pay attention to other aspects during crisis situations, consequently, the degree of profitability has little bearing on how much stock prices are valued.

3. Earnings Per Share in Mediating Debt Policy to Stock Prices

Earnings per share may attenuate the relationship between share price and debt-to-equity ratio. The extent to which the firm relies on debt to support its operations is shown by its high debt-to-equity ratio. Risk may be associated for shareholders when debt takes the role of equity as the company's primary funding source. Nonetheless, the degree of Debt to Equity Ratio might be decreased with the backing of Earnings Per Share, which is regarded as the main viewpoint of shareholders. The main goal of investing is to make money. A stock split may result in the issue of more shares due to the relation between earnings per share and the debt-to-equity ratio. Consequently, an increase in debt may cause the stock price to fall; yet, if earnings per share are strong, an increase in debt may drive the share price to climb, suggesting that the company may be able to save on taxes. If a heavy debt plan had no advantages, investors would lose faith in the firm, lowering the stock price. Previous studies have shown that the link between debt policy and stock prices significantly impacts investors’ decision-making ability. Thus, profits per share may increase the effect of the debt-to-equity ratio on stock price. Janitra & Kesuma (2015) assert that there is a substantial association between stock returns and earnings per share, which is supported by earlier studies. An elevated figure of Earnings Per Share has the potential to stimulate investor enthusiasm, elevate stock prices, and eventually augment investors' financial gains.

4. Earnings per share in mediating profitability against share price

The Earnings per share analysis results show positive, though not significant, value results in moderating the impact of profitability (Return on Assets) on stock prices. A high return on asset rate indicates that the business can make enough money to support operations in the future, which may lead to a rise in stock prices. However, the profit is not fully distributed to shareholders because of the company's other obligations to reduce profits to be distributed. When a company makes a profit, a portion of that profit should be received by shareholders through earnings per share. However, there are retained earnings due to the company's obligation to reduce earnings per share because the company focuses more on asset management than distributing profits to shareholders. This leads to lower earnings per share, mainly if the company's profits drop. Consequently, in a low-stock market, EPS cannot mitigate the impact of return on assets. According to an earlier study by Remigius et al. (2022) and Endrawati & Noveiyanti (2015), profits per share are unable to lessen the effect that profitability has on stock values. This conclusion is consistent with their findings. Furthermore, this study supports the findings of Rusdiyanto & Tjaraka (2020) study, which found no relationship between stock returns and earnings per share. This situation is shown by the declining profits per share value, which results from fluctuations in earnings income but a constant number of outstanding shares. However, these results contradict studies by Kimberly (2021) and Mukhtasym (2020) which claim that profits per share might mitigate profitability's impact on investors' stock prices.

IV. CONCLUSION

The Retrun On Asset component has no bearing on company prices, but the debt-to-equity ratio does. While the debt-to-equity ratio may not have a big effect, profitability has a big influence on share prices that is not lessened by profits per share. One way to increase the debt-to-equity ratio's influence on stock returns is to use the earnings per share variable. Thus, businesses must maximize cost utilization, exercise prudent debt management, restrict growth, and effectively raise working capital to boost profitability. This study had some limitations, such as using a small sample and a short research period. In addition, the companies studied pay less attention to using assets in their operational activities. It is anticipated that the business would be able to enhance value for shareholders and financial performance by taking into account the findings of this research and strategically controlling the variables influencing the stock price.

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