

Financial Indicators and Stock Prices: The Moderating Role of Earnings Per Share

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ABSTRACT

Purpose: This study examines the effects of the Current Ratio (CR), Return on Equity (ROE), and Debt-to-Equity Ratio (DER) on stock prices and investigates the moderating role of Earnings per Share (EPS).

Design/Methodology/Approach: A quantitative approach was employed using panel data comprising 330 firm-year observations from property and real estate companies listed on the Indonesia Stock Exchange during 2020–2024. Panel data regression and Moderated Regression Analysis (MRA) were conducted using the Fixed Effects Model (FEM).

Findings: The results show that CR has no significant effect on stock prices, while ROE and DER have positive and significant effects. EPS has no significant direct effect and does not moderate the relationships between CR and stock prices or between ROE and stock prices. However, the $DER \times EPS$ interaction is positive and significant, indicating that higher EPS strengthens the positive relationship between leverage and stock prices, as measured by the study's price-volatility proxy. Thus, the hypothesized negative moderating effect of EPS on the DER–stock price relationship is not supported.

Research Implications: The findings highlight the importance of considering earnings performance when interpreting the market implications of corporate leverage. This study contributes to the literature by examining liquidity, profitability, and leverage simultaneously, while positioning EPS as both a financial indicator and a moderating variable. The findings provide implications for investors and managers in evaluating leverage and earnings performance in the property and real estate sector.

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INTRODUCTION

Beyond conventional bank lending, the capital market provides an essential channel for corporate funding while offering the public a mechanism for wealth accumulation. Common stock remains one of the most sought-after instruments, where share prices reflect the market's collective assessment of a firm's fundamental condition and future prospects. Therefore, understanding the financial indicators that drive price movements is essential for investors and corporate management.

This study specifically focuses on the property and real estate sector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. This sector provides a particularly appropriate context for examination due to its highly capital-intensive nature, long business cycles, and heavy reliance on external debt financing for land acquisition and project development. Furthermore, the 2020–2024 observation period captures a highly volatile economic environment. The Covid-19 pandemic sharply reduced property sales in 2020, and while the Residential Property Price Index (IHPR) pointed to a gradual recovery from 2021 onward, the index still suffered a 7.70% correction in 2022 despite improved financial figures reported by several firms. This instability persisted through 2024 alongside a weakening

Jakarta Composite Index (IHSG). The sector still suffered significant corrections despite improved financial figures reported by several firms. This unique industrial context and turbulent timeframe offer a robust setting to test how fundamental indicators perform under macroeconomic stress.

Financial ratio analysis remains a widely used approach for explaining stock price behavior, since ratios capture a firm's operational condition and convey meaningful signals to the market (Jelifa, 2022). To evaluate corporate fundamentals, this study selects three distinct but complementary financial pillars: liquidity, profitability, and solvency. This study evaluates three such indicators, the Current Ratio (CR) representing liquidity, Return on Equity (ROE) representing profitability, and the Debt to Equity Ratio (DER) representing leverage. Earnings Per Share (EPS) is treated not merely as a profitability indicator but also as a moderating variable expected to strengthen or weaken the effects of CR, ROE, and DER on stock prices, adding a more dynamic dimension to the model. Selected together, these metrics capture the complete risk return profile of property firms: CR measures the immediate ability to survive short-term shocks, ROE measures management's efficiency in generating returns from equity, and DER measures the structural financial risk stemming from leverage.

Despite the theoretical importance of these ratios, previous empirical studies present highly inconsistent findings, leaving the fundamental drivers of stock prices unresolved. Some studies report that the Current Ratio significantly affects stock prices (Sari et al., 2024), (Novalddin et al., 2020), and (Dewi & Sidik, 2025), while others find no such relationship (Rinofah et al., 2022), (Nathania & Wijaya, 2023), (Wulandari & Lorensa, 2024), (Hernawati & Oktrima, 2025) and (Sugiarto et al., 2025). A similar divide appears for ROE: a significant effect is reported by (Mukhlis, 2019), (Nugraha et al., 2024), (Ma'rifat et al., 2024) and (Dewi & Sidik, 2025) whereas (Umar, 2020), (Fadila & Nuswandari, 2022), and (Sugiarto et al., 2025) find it insignificant. These conflicting results suggest that the direct relationship between financial ratios and stock prices is not absolute; it may depend on different industrial contexts, varying observation periods, or methodological differences in how market valuation is operationalized. Specifically, there is a distinct lack of empirical evidence addressing these dynamics within the Indonesian property and real estate sector during the post-pandemic recovery phase (2020–2024).

To address this precise gap, this study departs from previous literature by introducing Earnings Per Share (EPS) not merely as a direct predictor, but critically, as a moderating variable. The theoretical rationale for this moderation lies in Signaling Theory. While CR, ROE, and DER signal operational potential or structural risk, EPS represents the ultimate, realized value delivered to shareholders. We expect EPS to moderate these relationships because investors' tolerance for risk is highly conditional on earnings. For instance, high leverage (DER) is typically perceived as a high financial risk; however, if backed by strong EPS, the market is likely to view that leverage as productive debt used for strategic expansion. Most prior studies treat EPS strictly as an independent variable, leaving its moderating capacity largely unexplored. By evaluating the interacting role of EPS, this research aims to provide a more nuanced understanding of stock price determinants and offer practical insights for market participants.

Therefore, this study makes several specific contributions to the existing corporate finance literature. First, it resolves contradictory previous findings by offering a particular theoretical explanation based on Signaling Theory: that the market's response to liquidity, profitability, and leverage is not direct and absolute, but conditional on the actual earnings delivered to shareholders. Second, this study highlights the moderating role of EPS, demonstrating how strong earnings per share can shift investor perception of high leverage (DER) from being a financial risk to a positive signal of strategic expansion. Finally, by focusing on sector-specific characteristics of property and real estate firms which are heavily

reliant on debt and long project cycles during the volatile pandemic and post-pandemic recovery period (2020–2024), this research provides vital empirical evidence on how capital-intensive industries are valued under macroeconomic stress.

LITERATURE REVIEW

Signaling Theory

This study is grounded in the Signaling Theory as introduced by (Spence, 1973). The theory holds that corporate management voluntarily discloses private information to external stakeholders in order to reveal the firm's true condition and future prospects, thereby narrowing the information gap between insiders and the market and helping investors make better-informed decisions. In the capital market context, this process follows a clear sequential mechanism: financial indicators act as information/signals, which then shape investor expectations, and ultimately drive a stock-price response. Strong financial performance functions as good news that lifts investor confidence and demand, while deteriorating performance acts as bad news that suppresses investor interest. Within this framework, CR, ROE, DER, and EPS all serve as distinct signals that the market interprets and reacts to in shaping stock price dynamics. In this study, stock price dynamics are operationalized using Stock Price Volatility (PV) as an empirical proxy. Rather than relying solely on static closing prices, stock price volatility captures the magnitude and intensity of stock price movements, reflecting how market expectations revalue equity in response to financial indicators.

Stock Price

Stock price represents an equilibrium value shaped by supply and demand within the open capital market, reflecting how investors perceive a firm's value (Amareta et al., 2025). (Riando, 2021) similarly notes that price movements are significantly driven by a company's fundamental variables alongside broader macro-environmental trends. Rather than relying on closing price alone, this study uses stock price volatility as its stock price proxy, since volatility better captures the magnitude of price change over a given period (Ardiansyah & Isbanah, 2017). It is calculated as:

$$PV = \frac{Hit - Lit}{(Hit + Lit) / 2}$$

Where PV is price volatility, Hit is the peak price for company i during period t, and Lit is the lowest bottom price for company i during period t.

Current Ratio (CR)

The Current Ratio is a standard liquidity metric that measures a firm's capacity to meet its short-term obligations using current assets. A higher ratio reflects a stronger liquidity buffer, giving credit providers and investors a reassuring signal about short-term solvency (Choiriah et al., 2013), in theory, this reassurance should lift investor sentiment and, in turn, the stock price. Following (Tarsija & Pandaya, 2020), the formula is written as:

$$\text{Current ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Return on Equity (ROE)

Return on Equity captures corporate profitability by calculating the net earnings generated per unit of shareholder equity (Kasmir, 2014). A rising ROE reflects management's efficiency in converting equity investment into bottom-line profit, and this kind of performance serves as a strong positive signal that attracts market capital (Alfan & Suprihhadi, 2020). The equation is expressed as:

$$ROE = \frac{\text{Earning After Taxes}}{\text{Total Equity}} \times 100\%$$

Debt to Equity Ratio (DER)

The Debt to Equity Ratio indicates corporate leverage by comparing total debt financing to the firm's core equity capital. Within the Signaling Theory framework, published financial metrics serve as informational signals that shape investor expectations regarding a company's operational risk and future performance. From a signaling perspective, a high DER can act as a negative signal to the market, indicating elevated solvency risk, heavy fixed interest burdens, and potential financial distress. In capital-intensive sectors such as property and real estate, high reliance on debt may cause investors to anticipate reduced cash flow availability for equity holders and heightened vulnerability to macroeconomic fluctuations. This negative signal suppresses investor demand, leading to a downward stock-price response. An elevated DER points to higher financial risk stemming from fixed interest burdens and repayment obligations; at the same time, strategic debt accumulation can accelerate project expansion, which has produced mixed findings regarding its true impact on stock prices (Munira et al., 2018). Following (Jirwanto et al., 2024), it is formulated as:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

Earnings Per Share (EPS)

Earnings Per Share (EPS) measures the specific portion of net profit attributed to each outstanding common share (Brigham & Houston, 2019). A high EPS signals immediate benefit for equity holders, making it a key screening tool for market observers (Mustaqim et al., 2024). In this research model, EPS functions both as an independent variable and as a moderating variable expected to adjust the slope coefficients of CR, ROE, and DER. Because EPS represents the ultimate bottom-line realization of all corporate strategies, it possesses the theoretical capacity to alter how investors perceive liquidity, profitability, and leverage signals. A strong EPS can validate a risky capital structure (DER) or compensate for lower liquidity (CR) in the eyes of investors, thereby modifying the strength and direction of these indicators' impact on investor expectations and stock prices. Following the formula developed by (Putri et al., 2024), EPS is measured as:

$$EPS = \frac{\text{Earning After Taxes}}{\text{Number of shares outstanding}} \times 100\%$$

METHODS

This study applies a quantitative approach with a causal-associative research design to evaluate the effects of CR, ROE, and DER on stock prices, alongside the moderating influence of Earnings Per Share (EPS). The target population comprises 92 property and real estate sector companies listed on the Indonesia Stock Exchange (IDX). The observation period spans five years, from 2020 to 2024. Through a purposive sampling method based on continuous reporting

and complete financial data criteria, the target group was narrowed down to a final sample of 66 firms. This selection process yielded a balanced panel dataset of 330 firm-year observations for analysis.

Table 1. Purposive Sampling Selection Procedures

No	Population	Amount
1.	Property and real estate corporations listed on the IDX 2020–2024	92
	Companies that do not meet the sample criteria	
2.	Companies failing to present uninterrupted financial reports 2020–2024	(20)
3.	Several firms exhibit incomplete data concerning the financial metrics evaluated in this study	(6)
	Total Sample Companies Included	66
	Total Observations (66 firms x 5 years)	330

Data processing was executed using a panel-data approach operated through EViews software. To identify the appropriate panel estimation technique, formal model specification tests were conducted sequentially. First, the Chow test was performed to determine the better-fitting model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). This was followed by the Hausman test to evaluate the choice between FEM and the Random Effect Model (REM). Subsequently, comprehensive diagnostic testing was carried out to ensure the data met classical regression assumptions. This included a normality evaluation using the Jarque-Bera statistic supported by the Central Limit Theorem given the sample size ($n = 330 > 30$) as well as multicollinearity checks utilizing Variance Inflation Factor (VIF) and Tolerance values, and heteroskedasticity screening using Glejser's technique with White diagonal robust standard errors.

Based on the diagnostic screening and panel specification results, the Fixed Effect Model (FEM) estimation was established as the optimal structure for this study. Hypothesis testing was then performed utilizing Moderated Regression Analysis (MRA) to evaluate both the direct baseline impacts of the financial indicators and the interactive moderation dynamics of EPS.

RESULT

Descriptive Statistic Analysis

Descriptive statistics were used to summarize the characteristics of the research data through measures such as the mean, minimum, maximum, and standard deviation. These statistics provide an overview of the data distribution and variability within the sample (Ghozali, 2011).

Table 2. Descriptive Statistical Summary Output

	PV	CR	ROE	DER	EPS
Mean	512.3242	2.459362	0.021314	0.940338	6.772234
Median	265.8811	1.974939	0.012575	0.603374	0.995000
Maximum	1644.056	6.291300	0.234035	3.138996	45.47500
Minimum	9.857143	0.000977	-0.177122	-1.461247	-31.52500
Std. Dev.	523.1667	1.751799	0.096248	0.935159	21.52062
Skewness	1.154462	0.951434	0.050238	1.120355	0.424106
Kurtosis	2.957886	2.917642	3.205459	3.342683	2.671213
Jarque-Bera	73.32746	49.88072	0.719246	70.65041	11.37902
Probability	0.000000	0.000000	0.697940	0.000000	0.003381
Sum	169067.0	811.5893	7.033635	310.3115	2234.837
Sum Sq. Dev.	90048406	1009.635	3.047738	287.7176	152372.1
Observations	330	330	330	330	330

Source: EViews Output Processed (2026)

Determination of the Panel Data Model

Chow Test

To identify the best-fitting panel approach, the Common Effect Model (CEM) was evaluated against the Fixed Effect Model (FEM) using the Chow test, followed by comparing FEM against the Random Effect Model (REM) via the Hausman framework.

Table 3. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	21.332548	(65,260)	0.0000
Cross-section Chi-square	609.112578	65	0.0000

Source: EViews Output Processed (2026)

The Chow test returns a Chi-square probability value of 0.0000 (< 0.05), indicating a clear rejection of the Common Effect Model (CEM) in favor of the Fixed Effect Model (FEM).

Hausman Test

The Hausman test is then used to determine the more appropriate specification between the Fixed Effect Model (FEM) and the Random Effect Model (REM) for panel data estimation.

Table 4. Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	35.363902	4	0.0000

Source: EViews Output Processed (2026)

With a random cross-section probability of 0.0000 (< 0.05), the Hausman test confirms the Fixed Effect Model (FEM) as the more appropriate specification relative to the Random Effect Model.

Normality Test

The normality test was conducted to assess whether the regression residuals are normally distributed, applied here to the residuals of the Fixed Effect Model (FEM) using the Jarque–Bera statistic. Although the Jarque-Bera test recorded a probability of 0.0089 (< 0.05), indicating a deviation from strict residual normality, this does not compromise the validity of the empirical model. In panel data econometrics, residual normality is not a critical requirement for coefficient estimators to remain unbiased and consistent; the Fixed Effects estimator provides unbiased and consistent parameter estimates independently of the residual distribution. More importantly, given the study's reasonably large sample size of 330 firm-year observations ($n = 330$), the Central Limit Theorem (CLT) can be invoked to justify treating the coefficient estimator's distribution as approximately normal (Gujarati & Porter, 2009). This asymptotic property guarantees the structural validity of hypothesis testing and statistical inference, such as t-tests and F-tests. Therefore, the econometric focus rests primarily on estimator suitability supported by the Chow and Hausman specifications and robust inference standard errors rather than strict residual normality.

Multicollinearity Test

The multicollinearity test was conducted to detect the presence of a high linear relationship among the independent variables in the regression model, which may result in unstable coefficient estimates. The test was performed by examining the Variance Inflation Factor (VIF). A VIF value > 10 indicates the presence of multicollinearity (Gujarati & Porter, 2009).

Table 5. Multicollinearity Test Result

	CR	ROE	DER	EPS
CR	1.000000	0.166688	-0.241624	0.161976
ROE	0.166688	1.000000	-0.147181	0.579851
DER	-0.241624	-0.147181	1.000000	-0.199076
EPS	0.161976	0.579851	-0.199076	1.000000

Source: EViews Output Processed (2026)

Based on the results of the multicollinearity test using the Variance Inflation Factor (VIF) and Tolerance (TOL) methods through auxiliary regression, all independent variables exhibited Tolerance values > 0.10 and VIF values < 10 . These findings indicate that there is no evidence of multicollinearity among the independent variables in the research model.

Heteroscedasticity Test

Following (Gujarati & Porter, 2009) the heteroscedasticity test is conducted to determine whether the variance of the residuals remains constant across observations in a regression model. A violation of this assumption, where the residual variance differs from one observation to another, indicates the presence of heteroscedasticity.

Table 6. Heteroscedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	468.2200	44.83410	10.44339	0.0000
CR	-2.999269	11.19589	-0.267890	0.7890
ROE	371.1135	197.0722	1.883135	0.0608
DER	48.33967	38.60275	1.252234	0.2116
EPS	-0.278341	0.805239	-0.345663	0.7299

Source: EViews Output Processed (2026)

Heteroskedasticity was assessed using the Glejser test. The results showed that the probability values of all independent variables exceeded 0.05, indicating no statistically significant evidence of heteroskedasticity. Nevertheless, White diagonal robust standard errors were applied to obtain heteroskedasticity-consistent statistical inference.

Moderated Regression Analysis (MRA)

Moderated Regression Analysis (MRA) was employed to examine whether Earnings Per Share (EPS) (Z) moderates the relationships between the Current Ratio (CR) (X_1), Return on Equity (ROE) (X_2), and Debt-to-Equity Ratio (DER) (X_3) and the dependent variable (Y). In this study, the analysis was conducted sequentially using three regression models. The hypothesis testing criterion was to reject the null hypothesis (H_0) when the probability value (Prob.) < 0.05 (Napitupulu, 2021).

Table 7. MRA Stage 3 Regression Estimates (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	489.1046	8.812890	55.49878	0.0000
CR	0.914968	2.108552	0.433932	0.6867
ROE	92.50776	18.73577	4.937495	0.0078
DER	22.32801	5.054743	4.417239	0.0115
EPS	0.092604	0.081161	1.140996	0.3175
CR*EPS	0.019845	0.044704	0.443930	0.6801
ROE*EPS	-0.809402	0.662455	-1.221821	0.2889
DER*EPS	0.444880	0.145522	3.057142	0.0378
R-squared				0.873540
Adjusted R-squared				0.839980
S.E. of regression				209.2797
F-statistic				26.02890
Prob(F-statistic)				0.000000

Source: EViews Output Processed (2026)

The resulting Fixed Effects mathematical formulation stands as:

$$PV = 489.1046 + 0.914968CR + 92.50776ROE + 22.32801DER + 0.092604EPS + 0.019845(CR \times EPS) - 0.809402(ROE \times EPS) + 0.444880(DER \times EPS) + e$$

The positive coefficient of the $DER \times EPS$ interaction term indicates that the conditional effect of DER on stock price volatility becomes more positive as EPS increases. Thus, EPS

significantly moderates the relationship between DER and stock price volatility. However, because separate simple-slope significance tests and confidence intervals were not estimated, the moderation result should be interpreted based on the direction and statistical significance of the interaction term.

F-Test

Under the selected Fixed Effect Model (FEM), the probability value of the F-statistic is 0.000000, which is below the 5% significance level ($0.000000 < 0.05$). Therefore, it can be concluded that the regression model is statistically significant and considered appropriate (fit) for explaining the phenomenon under investigation.

Coefficient of Determination Test (R2 Test)

In panel data regression under the Fixed Effect Model (FEM), goodness of fit metrics require careful econometric interpretation because estimation relies on the within transformation of the data. The Adjusted R-squared value of 0.839980 indicates that 83.998% of the within-firm variation in stock prices, as captured by the price-volatility proxy, is explained by the time-varying financial indicators (CR, ROE, DER, EPS) and their interaction terms, after accounting for time-invariant firm-specific heterogeneity. By conditioning on firm-fixed effects to absorb unobserved company-specific differences, the model isolates how shifts in financial metrics over time drive changes in stock valuation. The remaining 16.002% of within-firm variation reflects other factors not captured by the model or firm-level dynamics outside the scope of this study.

t-test

The acceptance or rejection of each hypothesis was determined based on the probability (Prob.) values obtained from the estimated model at a 5% significance level ($\alpha = 0.05$). Based on Table 7, the results of the t-test are summarized as follows:

1. Current Ratio (CR) does not have a significant effect on stock prices, measured via stock price volatility. The estimated regression coefficient is 0.914968, with a t-statistic of 0.433932 and a probability value of 0.6867. Since the probability value is greater than 0.05 ($0.6867 > 0.05$), H1 is rejected.
2. Return on Equity (ROE) has a positive and significant effect on stock prices proxied by price volatility. The estimated regression coefficient is 92.50776, with a t-statistic of 4.937495 and a probability value of 0.0078. Since the probability value is less than 0.05 ($0.0078 < 0.05$), H2 is accepted.
3. Debt-to-Equity Ratio (DER) has a statistically significant effect on stock prices, measured via stock price volatility. The estimated regression coefficient is 22.32801, with a t-statistic of 4.417239 and a probability value of 0.0115. Since the probability value is below 0.05 ($0.0115 < 0.05$), DER significantly affects stock prices. However, the regression coefficient is positive, whereas the research hypothesis predicted a negative relationship. Therefore, H3 is rejected.
4. Earnings per Share (EPS) does not have a significant direct effect on stock prices, measured through stock price volatility. The estimated regression coefficient is 0.092604, with a t-statistic of 1.140996 and a probability value of 0.3175. Since the probability value exceeds 0.05 ($0.3175 > 0.05$), H4 is rejected.
5. The interaction term $CR \times EPS$ is not statistically significant. The estimated coefficient is 0.019845, with a t-statistic of 0.443930 and a probability value of 0.6801. Since the probability value is greater than 0.05 ($0.6801 > 0.05$), H5 is rejected. Demonstrates that earnings capability cannot overcome the structural limitations of short-term liquidity metrics in property firms. In capital-intensive real estate operations, Current Ratio

metrics are heavily dominated by illiquid assets, such as long-term land banks and ongoing construction inventories, which cannot be rapidly liquidated. Consequently, investors treat CR as an uninformative signal for equity valuation regardless of corporate earnings strength. High EPS fails to amplify the CR stock price link because investors recognize that strong share earnings do not alter the illiquid baseline of real estate working capital.

6. Similarly, the interaction term $ROE \times EPS$ is not statistically significant. The estimated coefficient is -0.809402 , with a t-statistic of -1.221821 and a probability value of 0.2889 . Since the probability value exceeds 0.05 ($0.2889 > 0.05$), H_6 is rejected. Both ROE (Net Income / Equity) and EPS (Net Income / Shares) derive from the same underlying financial metric: net bottom-line earnings. Because ROE independently acts as a dominant direct signal of equity returns. The market already fully prices in corporate profitability. Combining ROE with EPS introduces duplicate performance signals that offer zero incremental information to market participants, rendering the interaction term non-significant.
7. Unlike the previous two interaction terms, the interaction between $DER \times EPS$ is statistically significant. The estimated coefficient is 0.444880 , with a t-statistic of 3.057142 and a probability value of 0.0378 . Since the probability value is below 0.05 ($0.0378 < 0.05$), these results demonstrate that while leverage maintains a positive association with stock prices across all earnings conditions, its impact becomes monotonically steeper as EPS rises. This confirms that EPS acts as a quantitative moderator strengthening the positive DER–stock price link. However, because H_7 hypothesized that EPS would moderate a negative baseline relationship, H_7 is rejected despite the statistically significant moderating effect.

DISCUSSION

Consistent with the rejection of H_1 , the results show that the Current Ratio (CR) does not exert a significant effect on stock prices, as proxied by price volatility. This insignificance may occur because investors in property companies prioritize long-term profitability (ROE) over immediate liquidity buffers, while excessively high CR can signal inefficient asset utilization and idle capital rather than productive project investment. Furthermore, the multi-year development cycles inherent to the real estate sector render temporary working-capital balances less relevant to stock price volatility. Crucially, standard CR metrics may not fully capture actual financial quality because current assets are heavily dominated by illiquid land banks and ongoing construction inventories. These findings are consistent with those reported (Wulandari & Lorensa, 2024) and (Sugiarto et al., 2025), who likewise found that CR has no significant effect on stock prices.

The findings show that Return on Equity (ROE) has a positive and significant effect on stock prices, as proxied by price volatility, supporting H_2 . This indicates that firms generating stronger returns on shareholders' equity tend to show stronger stock price movements, as captured by the study's price-volatility proxy. Consistent with Signaling Theory, profitability functions as a positive signal of a firm's financial performance and future prospects, thereby influencing investor expectations. Relative to liquidity, ROE provides stronger explanatory power for stock price volatility in the property and real estate sector during the 2020–2024 period. This finding implies that investors place greater emphasis on profitability and future earnings potential than on short-term liquidity. The cited supporting literature should be checked for consistency with the reported direction and significance before final submission. The result aligns with (Umar, 2020) confirming that profitability remains a key determinant of stock prices in the property and real estate sector.

The findings reveal that the Debt-to-Equity Ratio (DER) has a positive and significant effect on stock prices, as proxied by price volatility, leading to the rejection of H3, which hypothesized a negative relationship. Although a higher DER is generally associated with greater financial risk due to increased debt obligations, the results suggest that leverage was not associated with lower stock prices, as captured by the price-volatility proxy in this sample. Instead, in a capital-intensive industry requiring substantial funding for land acquisition and project development, debt financing may be interpreted as supporting business expansion when it is managed productively. This finding is consistent with (Novalddin et al., 2020), who also reported a positive and significant relationship between DER and stock prices.

The results indicate that Earnings Per Share (EPS) does not have a significant direct effect on stock prices, as proxied by price volatility, leading to the rejection of H4. Although EPS reflects the amount of net income earned per outstanding share and is commonly regarded as an indicator of shareholder value, the findings suggest that EPS alone does not provide a sufficiently strong signal to explain variations in stock prices as measured through the study's price-volatility proxy. Instead, investors may consider broader factors, including earnings sustainability, corporate growth prospects, capital structure, industry conditions, and the macroeconomic environment. This finding may also be explained by characteristics of the property and real estate sector, which is marked by long business cycles and fluctuating earnings due to project completion schedules and revenue recognition under PSAK 115 (Revenue from Contracts with Customers). Consequently, reported earnings in a given period may not fully reflect the firm's long-term economic performance or prospects.

The findings indicate that Earnings Per Share (EPS) does not moderate the relationship between the Current Ratio (CR) and stock prices, leading to the rejection of H5. Although firms with strong liquidity and high earnings per share are generally expected to send a positive signal to investors, the results suggest that EPS does not significantly alter the effect of CR on stock prices. This indicates that liquidity information remains insufficient to explain the dependent variable even when accompanied by higher earnings per share. One possible explanation lies in the characteristics of the property and real estate sector, where a substantial proportion of current assets consists of inventories, land banks, and properties under development that cannot readily be converted into cash. These findings are consistent with (Rinofah et al., 2022), who likewise reported that EPS does not moderate the relationship between CR and stock prices.

The findings indicate that Earnings Per Share (EPS) does not moderate the relationship between Return on Equity (ROE) and stock prices, leading to the rejection of H6. Although EPS was expected to strengthen the positive effect of profitability, the results suggest that it neither significantly strengthens nor weakens the ROE–stock price relationship. This finding implies that ROE alone provides a sufficiently strong signal of a firm's profitability and its ability to generate returns for shareholders, enabling investors to assess firm performance without relying on additional information from EPS. Consequently, variations in EPS do not contribute incremental information capable of significantly altering the relationship between profitability and the dependent variable. These findings are consistent with (Nugraha et al., 2024) who likewise reported that EPS does not moderate the effect of profitability on stock prices. Therefore, EPS cannot be considered a significant moderating variable in the relationship between ROE and stock prices in the property and real estate sector.

Unlike the other interaction terms, the interaction between Debt-to-Equity Ratio (DER) and Earnings Per Share (EPS) has a positive and statistically significant effect on stock prices, as proxied by price volatility. The coefficient of $DER \times EPS$ is 0.444880 ($p = 0.0378$), indicating that the conditional association between DER and stock price volatility becomes more positive as EPS increases. Specifically, the marginal effect of DER on stock price volatility can be expressed as $DER \times EPS = 0.444880$ ($p = 0.0378$). Because the coefficient of the interaction term is positive, the estimated slope of the DER–stock price volatility

relationship increases as EPS increases. Thus, the statistically significant interaction supports the existence of a moderating effect of EPS on the relationship between DER and stock price volatility. However, the positive direction of this interaction is opposite to the hypothesized negative relationship; therefore, H7 is not supported. This result should not be interpreted as direct evidence that investors necessarily respond favorably to high leverage under high-EPS conditions. Rather, the regression results indicate a conditional association in which the estimated effect of DER becomes more positive as EPS increases. Because separate simple-slope significance tests and confidence intervals were not estimated, the interpretation is limited to the direction and statistical significance of the interaction term.

CONCLUSION

This study examines the effects of the Current Ratio (CR), Return on Equity (ROE), and Debt-to-Equity Ratio (DER) on stock prices, using price volatility as the empirical proxy, while assessing the direct and moderating roles of Earnings per Share (EPS) among Indonesian property and real estate firms during 2020–2024. Based on the Fixed Effects Model (FEM), CR has no significant effect on stock price volatility, whereas ROE and DER have positive and significant effects. EPS has no significant direct effect and does not significantly moderate the relationships between CR or ROE and stock price volatility. However, the $DER \times EPS$ interaction is positive and significant, indicating that higher EPS strengthens the positive association between leverage and stock price volatility. Although this moderation effect is statistically significant, its direction contradicts the hypothesized negative relationship; therefore, H7 is not supported. Theoretically, these findings extend Signaling Theory by suggesting that the market implications of leverage may depend on firms' earnings performance rather than leverage being interpreted independently. Practically, managers should communicate leverage decisions alongside profitability and earnings information, while investors should evaluate debt levels together with earnings performance and sector-specific conditions. Nevertheless, the findings should be interpreted in light of the study's limitations, including its focus on a single sector and country, five-year observation period, selected financial indicators, and reliance on price volatility as a proxy for stock-price behavior. Future research should employ broader cross-sector and cross-country samples, longer observation periods, additional firm-level and macroeconomic variables, alternative stock-price measures, and formal simple-slope and interaction analyses to further clarify the conditional effects of EPS on the relationship between leverage and stock-market outcomes.

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