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THE RELATIONSHIP BETWEEN FINANCIAL RATIOS AND STOCK PRICES IN THE MANUFACTURING SECTOR COMPANIES IN THE HEALTHCARE AND CONSUMER NON-CYCLICAL SECTORS LISTED ON THE INDONESIAN STOCK EXCHANGE FROM 2019 TO 2023

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ABSTRACT

This study aims to determine the effect of several financial ratio which are debt to equity ratio, earnings per share, price earning ratio, dividend payout ratio, and return on equity on the stock prices of manufacturing companies in the Healthcare and Consumer Non-Cyclical sectors listed on the Indonesia Stock Exchange from 2019 to 2023. Secondary data is used in this quantitative study. The sample was selected using a purposive sampling method, resulting in a total of 145 data observations derived from 8 companies over a five-year observation period. The data were analyzed using multiple linear regression analysis with the assistance of SPSS version 31. The results of this study indicate that the debt-to-equity ratio, earnings per share, and price-earnings ratio have a positive and significant effect on stock prices, dividend payout ratio has no effect on stock prices, while return on equity has a negative and significant influence on stock prices. This study implies that investors should adopt a comprehensive approach when evaluating stocks by considering multiple financial indicators simultaneously. For managers, the findings emphasize the importance of sustaining profitability, optimizing capital structure, and maintaining earnings quality to enhance investor confidence and support long-term stock value.

Keywords: *Debt to Equity Ratio, Earning per Share, Price Earning Ratio, Dividend Payout Ratio, Return of Equity, Stock Price*

HUBUNGAN ANTARA RASIO KEUANGAN DAN HARGA SAHAM PADA PERUSAHAAN MANUFAKTUR DI SEKTOR KESEHATAN DAN SEKTOR BARANG KONSUMEN NON-SIKLIKAL YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2019–2023

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh beberapa rasio keuangan yaitu rasio utang terhadap ekuitas, laba per saham, rasio harga terhadap laba, rasio pembayaran dividen, dan return on equity *terhadap harga saham perusahaan manufaktur pada perusahaan di sektor Kesehatan dan Konsumen Non-Siklik yang terdaftar di Bursa Efek Indonesia dari tahun 2019 hingga 2023. Data sekunder digunakan dalam penelitian kuantitatif ini. Sampel dipilih menggunakan metode purposive sampling, menghasilkan total 145 observasi data yang berasal dari 8 perusahaan selama periode observasi lima tahun. Data dianalisis menggunakan analisis regresi linier berganda dengan bantuan SPSS versi 31. Hasil penelitian ini menunjukkan bahwa rasio utang terhadap ekuitas, laba per saham, dan rasio harga terhadap laba memiliki pengaruh positif dan signifikan terhadap harga saham, rasio pembayaran dividen tidak berpengaruh terhadap harga saham, sedangkan return on equity memiliki pengaruh negatif dan signifikan terhadap harga saham. Penelitian ini menyiratkan bahwa investor harus mengadopsi pendekatan komprehensif ketika mengevaluasi saham dengan mempertimbangkan beberapa indikator keuangan secara simultan. Bagi para manajer, temuan ini menekankan pentingnya mempertahankan profitabilitas, mengoptimalkan struktur modal, dan menjaga kualitas laba untuk meningkatkan kepercayaan investor dan mendukung nilai saham jangka panjang.*

Kata Kunci: Debt to Equity Ratio, Earning per Share, Price Earning Ratio, Dividend Payout Ratio, Return of Equity, Stock Price.

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INTRODUCTION

The manufacturing sector has consistently been the largest contributor to non-oil and gas GDP, accounting for 18.34% in 2022 and 18.67% in 2023. Therefore, the performance of manufacturing companies is crucial to the stability and development of the national economy. Given its capital-intensive nature and high operational complexity, financial performance analysis is a crucial aspect in assessing the feasibility of investment in this sector. The Manufacturing Sector on the IDX is divided into several sectors: Basic Industry and Chemicals, Miscellaneous Industry, and Consumer Goods. These sectors are further divided into several sub-sectors.

Company performance greatly influences investor interest in investing their funds. Some financial ratios commonly used to analyze stock prices include Debt to Equity Ratio (DER), Earning Per Share (EPS), Price Earning Ratio (PER), Dividend Payout Ratio (DPR), and Return on Equity (ROE). DER describes the company's capital structure and level of financial risk, EPS reflects the company's ability to generate earnings per share, PER shows how much the market values the company for the profits generated, DPR describes how much profit is distributed to shareholders, while ROE shows the efficiency of using equity in generating profits. These ratios can theoretically influence investor perceptions and ultimately impact stock prices.

Signaling Theory explains that companies provide signals to investors through financial information published in financial statements. Signaling theory posits that firms with good performance tend to make voluntary disclosures more readily, as doing so is regarded as an easy means of distinguishing themselves from others in the marketplace (Birjandi et al., 2015)

Positive financial performance signals may increase investor confidence and ultimately raise stock prices. Financial ratios such as EPS, ROE, PER, DER, and DPR are considered important signals regarding a company’s profitability, growth prospects, risk level, and dividend policy. Investors interpret these signals when making investment decisions in the capital market.

Companies with high profitability and stable dividends generally send positive signals to investors, leading to higher stock demand and increasing stock prices. Conversely, high leverage may signal greater financial risk and negatively affect investor perceptions. Research discussing signaling theory in relation to stock prices and financial ratios states that financial information serves as a signal that influences investor behavior and firm value (Taruno & Puspitasari, 2025). The stock price is the price that arises as a result of the movement of supply and demand that arises in the securities market for the relevant shares. For the company itself, stocks are ownership rights to the company’s assets. The number of stocks means the percentage value of ownership of the company’s total assets. And for the company, the stock price can be the starting point of the company’s value (Hanaffy, 2024).

However, the effect of each financial ratio on stock prices is not always consistent. Several previous studies have shown varying results. Some studies indicate that EPS and ROE significantly influence stock prices, while others show no significant effect from these ratios. This inconsistency creates an interesting research gap that warrants further investigation, particularly for the period 2019 to 2023, which represents a period of economic crisis and recovery. During the 2021–2024 period, investors responded relatively more positively to healthcare sector stocks compared to non-cyclical sectors. However, the healthcare sector's performance still underperformed the overall market index (Composite). This indicates that although the healthcare sector has good growth prospects, its movements are still influenced by macroeconomic conditions, market sentiment, and company fundamentals. Conversely, non-cyclical sectors face greater pressure and have not been able to generate competitive returns compared to the market index or the healthcare sector.

Stock prices in the stock market consistently fluctuate from year to year. Stock prices tended to fluctuate (rise and fall) between 2019 and 2023. From early 2021 to early 2022, stock prices in the healthcare and primary care sectors experienced instability, while primary care prices tended to decline, stabilizing in 2022. Then, from early 2022 to mid-2023, stock prices in this sector experienced an Upper Auto Rejection (RA). From mid-2021 to early 2023, stock prices stabilized (returning to their starting point).

Data from IDX Composite Index reflect and situation during the post-COVID-19 pandemic period, the Indonesian capital market demonstrated quite strong recovery capabilities. This is reflected in the movement of the Composite Stock Price Index (IHSG), which managed to recover after experiencing pressure during the pandemic and then recorded significant growth. Even though the JCI experienced several corrections and fluctuations throughout 2022–2023, the index was still able to remain at a relatively higher level compared to the pre-pandemic period. This condition indicates an increase in investor confidence in Indonesia's economic fundamentals and the growth prospects of companies listed on the Indonesia Stock Exchange. This capital market recovery shows that investors remain optimistic about the company's growth potential, even amidst global economic uncertainty. This phenomenon is interesting to study further because the increase in share prices is not only influenced by macroeconomic conditions, but also by company fundamental factors which are reflected in financial performance. Therefore, it is important to analyze the extent to which fundamental indicators such as Debt to Equity Ratio (DER), Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Payout Ratio (DPR), and Return on Equity (ROE) influence company share price movements, so as to provide a more comprehensive understanding of the factors that investors consider when making investment decisions.

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From 2019 to 2023, stock prices on the Indonesia Stock Exchange continued to experience significant increases. This was due to the increasing number of investors interested in investing, particularly retail investors from the general public. Data from the Indonesian Central Securities Depository (KSEI) shows an increasing trend in the number of individual investors each year, with young investors becoming more active in investing. These investors generally use company financial information, such as financial ratios, as a basis for making investment decisions. Therefore, a study is needed to determine the extent to which financial ratios such as the Debt to Equity Ratio (DER), Earnings per Share (EPS), Price Earning Ratio (PER), Dividend Payout Ratio (DPR), and Return on Equity (ROE) influence stock prices, particularly in manufacturing companies listed on the Indonesia Stock Exchange during that period.

Based on the Indonesia Stock Exchange Composite Index (IHSG) chart for the 2021–2023 period, the Indonesian capital market is showing a general upward trend, despite some fluctuations due to global economic conditions and changes in market sentiment. The IHSG rose from around 6,000 points in early 2021 to over 7,000 points by the end of 2023. These changes in market conditions also influence the movement of company stock prices, as stock prices are heavily influenced by investor confidence and evolving economic conditions. Furthermore, high stock trading activity indicates that investors are increasingly responding to information and company performance.

A company's ability to generate profits will attract investors, while low profitability will cause investors to withdraw their funds. For the company itself, profitability can be used to evaluate the effectiveness of its management (Pangestuti et al., 2022). Therefore, research into the factors influencing stock prices is crucial to understand the variables that can influence investor decisions and help companies and investors make more informed economic and investment decisions.

This study aims to position financial ratios as fundamental factors that can influence a company's stock price. In this study, the financial ratios used include the Debt to Equity Ratio (DER), Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Payout Ratio (DPR), and Return on Equity (ROE). These five ratios were chosen because they can describe a company's financial condition from various aspects, such as funding structure, profit-generating ability, growth prospects, dividend distribution policy, and the company's effectiveness in managing its capital.

Debt to equity ratio used to assess the size of the company's debt to the equity owned by the company. Debt to equity ratio company is high, there is a possibility that the company's, stock price will be low because if the company makes a profit, the company tends to use that profit to pay its debt compared to dividend dividing (Safitri et al., 2020). Previous research proved that DER affect the stock price (Rahmawati & Hadian, 2022; Rusdiyanto et al., 2020), and had a significant effect on stock price (Christia et al., 2021) but the other researches showed the opposite results that DER had no effect on stock price (Hidayat et al., 2020; Juwita & Diana, 2020; Safitri et al., 2020; Widi et al., 2020).

EPS indicates how much money a company makes for each share it has outstanding and is a widely used metric for estimating corporate value. When EPS is higher, stock returns also increase so that this will show a positive signal because it will attract more investors to invest in a company (Riska et al., 2023). Previous research showed that there is a positive relationship between Earnings per Share (EPS) and stock price (Gharaibeh et al., 2022), EPS affected the stock price (Rahmawati & Hadian, 2022) and proved that EPS has a positive and significant effect on stock returns (Ali et al., 2022; Riska et al., 2023; Sunaryo, 2020; Tri Humaerah et al., 2022). However, the opposite research result showed that EPS has np effect on stock price (Hanifah, 2019).

The investment community interprets the PER as a representation of market expectations of future earnings growth (Emor & Tansuria, 2025). Price Earning Ratio is the ratio of price per share to earnings per share showing the amount that investors are willing to pay for each reported profit dollar (Brigham & Houston, 2019). The Price Earnings Ratio helps investors value a stock and gauge market expectations by showing the relationship between stock price and earnings per share (Sajeetha et al., 2023). Previous research showed that price earnings ratio impact significantly on the prediction of market price of share (Sajeetha et al., 2023), but another research proved that PER does not affect Stock Prices (Hanifah, 2019; Saputra, 2022).

Dividend Payout Ratio (DPR) represents the proportion of a company's earnings distributed to shareholders in the form of cash dividends. The ratio indicates the percentage of net income allocated for dividend payments rather than being retained for reinvestment within the company. Therefore, DPR reflects management's dividend policy and the extent to which corporate profits are shared with shareholders (Hung, 2026; Njoku & Lee, 2024). Prior research confirmed the significant effect of DPR on stock price (Aini et al., 2020; Badruzaman & Kusmayadia, 2017; Bustani et al., 2021; Ojogbo et al., 2022), however there was a research proved that dividend payout ratio decreases stock price (Karim et al., 2023).

Return on Equity (ROE) is a profitability ratio that describes the company's ability to provide profits for ordinary shareholders. A high ROE reflects that the company is successful in generating profits from its own capital (Hanaffy, 2024). Factor that increase stock prices in a positive and significant direction of influence are ROE (Hanaffy, 2024; Mahirun & Kushermanto, 2018). However, other source proved that Return On Equity

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(ROE) does not affect the stock price (Asmirantho & Somantri, 2017).

The urgency of this study arises from the dynamic fluctuations in stock prices and the importance of financial information as a basis for investment decision-making in the capital market. Stock prices reflect investors' perceptions of a company's value and future prospects; therefore, understanding the factors that influence stock prices is crucial for investors, managers, and other stakeholders. Financial ratios such as Debt to Equity Ratio (DER), Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Payout Ratio (DPR), and Return on Equity (ROE) are widely recognized as indicators of a company's financial performance and are frequently used to assess investment attractiveness.

However, previous empirical studies have reported inconsistent findings regarding the influence of these financial ratios on stock prices. Some studies found that DER, EPS, PER, DPR, and ROE significantly affect stock prices, while others reported insignificant or even contradictory relationships. These inconsistencies indicate that the relationship between financial ratios and stock prices remains inconclusive and requires further investigation. Moreover, changes in economic conditions, investor behavior, and market dynamics may alter the relevance of financial indicators in determining stock prices over time.

Therefore, this study is important to provide updated empirical evidence regarding the effect of DER, EPS, PER, DPR, and ROE on stock prices. The findings are expected to enrich the literature on fundamental analysis and assist investors in identifying the financial indicators that most strongly influence stock valuation, thereby supporting more informed investment decisions and enhancing the efficiency of capital market assessments.

LITERATURE REVIEW

Signalling Theory

The signalling theory is a theory that concept an action taken by the management of a company that provides clues to investors about how management views the company's prospects. Signaling theory states that company executives who have better information about their company will be encouraged to convey this information to potential investors so that the company's stock price increases (Hoesada, 2022).

This theory provides an explanation of the reasons why companies have the desire to convey or provide information related to the company's financial reports to external parties. This is due to the situation based on the existence of information asymmetry between company management and external parties (Bergh et al., 2014). The signalling theory is fundamentally concerned with reducing information asymmetry between two parties (Connelly et al., 2011; Spence, 2002). This theory refer to the core problem facing strategic decision makers regarding how they can use signals to reduce the uncertainty situation with incomplete and asymmetrically distributed information (Spence, 1973).

The Relationship between Variables and Hypotheses Development

The Relationship Between Debt to Equity Ratio (DER) and Stock Prices

Debt to Equity Ratio (DER) measures the amount of a company's capital used to guarantee all of its debts on the balance sheet (Oktasari et al., 2025). The higher the DER was, the lower the stock price (undervalued) would be. As a result, the stock won't interest the stakeholders (Salsabila et al., 2024). Debt to equity ratio company is high, there is a possibility that the company's, stock price will be low because if the company makes a profit, the company tends to use that profit to pay its debt compared to dividend dividing (Safitri et al., 2020). Previous research proved that DER affect the stock price (Rahmawati & Hadian, 2022; Rusdiyanto et al., 2020), and had a significant effect on stock price (Christia et al., 2021). Therefore, this study proposes the following hypothesis:

H_1 : Debt To Equity Ratio (DER) has a negative effect on stock prices.

The Relationship Between Earnings Per Share (EPS) and Stock Prices

Earnings Per Share (EPS) is a ratio that shows the amount of net income available to common shareholders for each outstanding share. EPS is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during a given period (Prewysz-Kwinto & Voss, 2017). Previous research showed that there is a positive relationship between Earnings per Share (EPS) and stock price (Gharaibeh et al., 2022), EPS affected the stock price (Rahmawati & Hadian, 2022) and proved that EPS has a positive and significant effect on stock returns (Ali et al., 2022; Riska et al., 2023; Sunaryo, 2020; Tri Humaerah et al., 2022). Therefore, this study proposes the following hypothesis:

H_2 : Earnings Per Share (EPS) has a positive effect on stock prices.

The Relationship Between Price Earning Ratio (PER) and Stock Prices

Price Earnings Ratio is one of the most widely used stock valuation measures and reflects investor sentiment and expectations towards the company (Vidada et al., 2025). The PER is a tool that helps investors make decisions by comparing the price per share to the net income per share to see if investing in the company will be profitable in the future (Angga & Dermawan, 2023). Several studies show that a high PER indicates investors' expectations of higher future earnings growth (Pietrovito, 2016),which will have an impact on increasing stock prices. A

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higher PER indicates improving company performance. Conversely, a too-high PER can indicate an excessively high or irrational share price. The price-to-earnings ratio constitutes a fundamental metric employed for the assessment of a company's stock market valuation via its earnings (Dolaeva et al., 2025). The Price Earnings Ratio helps investors value a stock and gauge market expectations by showing the relationship between stock price and earnings per share (Sajeetha et al., 2023). Previous research showed that price earnings ratio impact significantly on the prediction of market price of share (Sajeetha et al., 2023), price earnings ratio have a positive and significant impact on the price of shares (Safitri et al., 2020). Therefore, this study proposes the following hypothesis:
H_3 : Price Earning Ratio (PER) has a positive effect on stock prices.

The Relationship Between Dividend Payout Ratio (DPR) and Stock Prices
A high dividend payout ratio is often associated with strong corporate performance and may signal higher firm value, which in turn can attract investor attention. A high dividend payout ratio is also seen as an indication of a company's financial strength, stability, and confidence in future earnings, making the stock more attractive to investors seeking dividend income (Emor & Tansuria, 2025). DPR reflects management's dividend policy and the extent to which corporate profits are shared with shareholders (Hung, 2026; Njoku & Lee, 2024). Prior research confirmed the significant effect of DPR on stock price (Aini et al., 2020; Badruzaman & Kusmayadia, 2017; Bustani et al., 2021; Ojogbo et al., 2022). Therefore, this study proposes the following hypothesis:
H_4 : Dividend Payout Ratio (DPR) has a positive effect on stock prices.

The Relationship Between Return on Equity (ROE) and Stock Prices
Return on Equity (ROE) is a profitability ratio that describes the company's ability to provide profits for ordinary shareholders (capital owners) by showing the percentage of net income available for shareholders' capital that the company has used. A high Return on Equity (ROE) reflects that the company is successful in generating profits from its own capital (Hanaffy, 2024). Previous research prove that ROE increased stock prices in a positive and significant direction (Hanaffy, 2024; Mahirun & Kushermanto, 2018). Therefore, this study proposes the following hypothesis:
H_5 : Return on Equity (ROE) has a positive effect on stock prices.

Based on this hypothesis, the framework of thought in this research is depicted as follows:

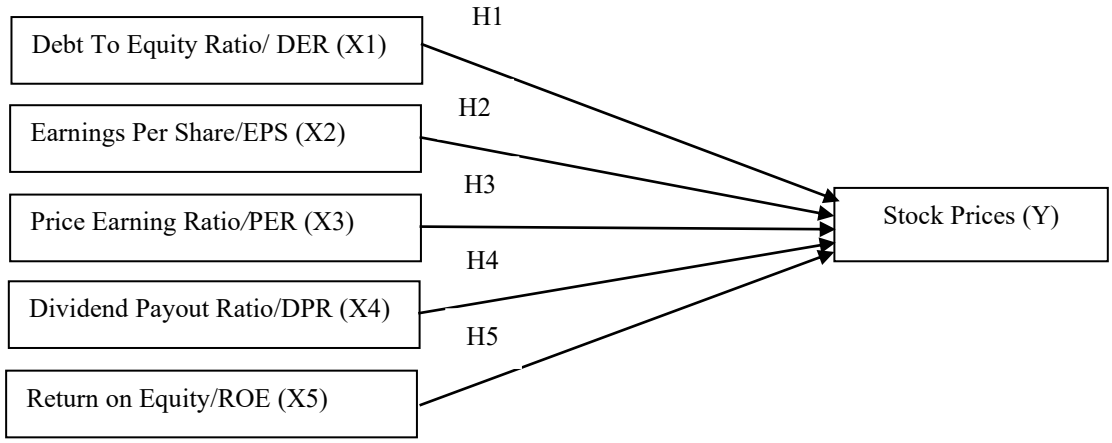

Figure 1. Research Framework

RESEARCH METHODS

Population and Sample
The population used in this study is manufacturing companies in the Healthcare and Consumer Non-Cyclical sectors listed on the Indonesia Stock Exchange (IDX). A total of 145 companies from all sub-sectors were selected per period. Using purposive sampling techniques, a total sample of 8 companies was obtained, multiplied by 5 years (2019–2023), resulting in a total of 40 data points.

Operational Research Variables
The following are the operational variables in this study:

Table 1. Operational Variables

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Variables	Definition	Measurement Indicators	Scale
DER (X1)	Debt to Equity Ratio (DER) is a ratio used to measure a company's level of leverage by comparing total debt to total shareholder equity (Nukala & Prasada Rao, 2021)	DER = $\frac{Total\ Debt}{Total\ Shareholder\ Equity}$	Ratio
EPS (X2)	Earnings Per Share (EPS) is a ratio that shows the amount of net income available to common shareholders for each outstanding share (Prewysz-Kwinto & Voss, 2017).	EPS = $\frac{Net\ Income}{Shares\ Outstanding}$	
PER (X3)	The PER is a tool that helps investors make decisions by comparing the price per share to the net income per share to see if investing in the company will be profitable in the future (Angga & Dermawan, 2023)	PER = $\frac{\text{Market Price per Share}}{\text{Earnings per Share}}$	Ratio
DPR (X4)	The Dividend Payout Ratio is used as a proxy for a company's dividend policy, namely the proportion of profits distributed to shareholders compared to profits retained by the company (Nugroho, 2019).	DPR = $\frac{Total\ Dividens}{Net\ Incomes}$	Ratio
ROE (X5)	Return on Equity (ROE) is a profitability ratio that describes the company's ability to provide profits for ordinary shareholders (capital owners) by showing the percentage of net income available for shareholders' capital that the company has used (Hanaffy, 2024)	ROE = $\frac{Earning\ After\ Tax}{Equity}$	
Stock Prices (Y)	The closing stock market price during the observation period for each type of stock sampled, and its movements, are constantly monitored by investors.	SP = Closing Price	Nominal

Source: Processed Data, 2024.

Data Analysis Techniques

Statistic Descriptive

Descriptive statistical analysis is a method for describing data that is seen from the minimum value (min), maximum value (max), average value (mean) and standard deviation regarding independent and dependent variables which are described in statistical form.

Classical Assumption Test

Normality Test

The graphical normality test is used to test whether the disruptive or residual variables in the regression model have a normal distribution. To find out the normality of the data, you can use the graphical analysis test and the statistical analysis test *Kolmogorov Smirnov Test* (K-S).

Multicollinearity Test

The multicollinearity test aims to test whether the regression model finds a correlation between independent variables or not. The statistical tool used to test multicollinearity disturbances is *variance inflation factor* (VIF). If the value *tolerance* > 0.10 or value of VIF < 10, then there is no multicollinearity.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is inequality of variance from the residuals of one observation to another observation. Testing for the presence or absence of heteroscedasticity is carried out using a statistical test, namely the Glejser test. If the significance value > α = 0.05, then heteroscedasticity does not occur.

Multiple Linear Regression Analysis

The Relationship Between Financial Ratios and Stock Prices in the Manufacturing Sector Companies in the Healthcare and Consumer Non-Cyclical Sectors Listed on the Indonesian Stock Exchange from 2019 to 2023 (Helly Aroza Siregar, Agustian Anggoro, Yenny Wati, Irawati, and Zulhelmi)

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Multiple linear regression analysis is used to determine whether the independent variables in the study have an influence on the dependent variable or not. The multiple linear regression analysis equation model for this study is as follows:

$$Y = a + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5 + \varepsilon \quad (1)$$

Simultaneous Test (F Test)
The F test aims to determine the influence of independent variables together (simultaneously) on the dependent variable. The F test can be done by looking at the calculated F value from the SPSS output and also comparing the results *probability value.*

Coefficient of Determination Test (R^2)
The coefficient of determination (R^2) test is used to measure the extent to which the model is able to explain the variation of the dependent variable. The coefficient of determination (R^2) value ranges between 0-1.

Hypothesis Testing (Partial Test/t Test)
The t-test is conducted to determine whether the independent variables in the regression model have an individual effect on the dependent variable. The analysis uses the level of confidence α=0.05. The test is done by comparing the calculated t value and the t table value or by looking at the comparison of the significance value with the level of confidence.

RESULT AND DISCUSSION

Descriptive Analysis
Descriptive analysis was conducted to provide an overview of the minimum, maximum, average (mean), and standard deviation values of each research variable, which include Debt to Equity Ratio (DER), Earning Per Share (EPS), Price to Earning Ratio (PER), Dividend Payout Ratio (DPR), Return on Equity (ROE), and Stock Price.

Table 2. Statistical Test Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
DER	40	0.1	1.55	0.4252	0.33511
EPS	40	31.13	401.42	139.1185	99.38827
PER	40	3.67	40.24	15.3346	8.91773
DPR	40	21.57	100.08	60.609	24.5292
ROE	40	0.02	0.36	0.1656	0.08078
Harga Saham	40	200	4750	1762.03	1045.025
Valid N (listwise)	40				

Source: Processed Data (2025)

According to Table 2, Debt to Equity Ratio (DER) has a minimum value of 0.10, meaning the company only has 10% debt compared to its equity. This indicates that the sample companies have a very strong capital structure because their equity significantly exceeds their debt. A maximum value of 1.55 indicates that some companies have 155% debt compared to their equity, a relatively high level of debt, putting them at risk of facing liquidity pressures. The average Debt to Equity Ratio (DER) of 0.4252, or 42.52%, is still below 100% (1.0), indicating that the sample companies are generally healthy and have relatively low debt levels compared to their equity. The standard deviation of 0.33511, which is close to the mean, indicates significant variation among companies in their use of debt compared to equity.

Earning Per Share (EPS) shows a minimum value of 31.13 indicating the existence of a company with very low earnings per share capabilities, so that the contribution to shareholders is small, while the maximum Earning Per Share (EPS) of 401.42 indicates the existence of a company with quite high earnings per share, this means that the company's ability to generate profits for its shareholders is quite high, with an average Earning Per Share (EPS) of 139.12 indicating that in general the sample companies are still able to provide positive profits for investors, According to the literature, high Earning Per Share (EPS) reflects good financial performance, so that it can increase the attractiveness of shares in the capital market, and the standard deviation value of 99.38827, a relatively large standard deviation value indicates a significant difference between sample companies in generating net earnings per share.

The Price to Earning Ratio (PER) has a minimum value of 3.67 times, indicating that there are stocks that are undervalued because the price is relatively cheap compared to the profits generated. Conversely, the

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maximum Price to Earning Ratio (PER) of 40.24 times indicates that there are stocks that are overvalued because the price is much higher than the profits generated, this could indicate that there are stocks that are extreme and can indicate the risk of mispricing (not appropriate). The average Price to Earning Ratio (PER) of 15.33 times is still within a reasonable range (generally a healthy Price to Earning Ratio (PER) is between 10-20 times, not too high and not too low), which means that the stock prices of the sample companies are relatively balanced with the profits obtained, and the standard deviation of 8.91773 is quite high, indicating that there are variations in the level of market valuation of shares between companies.

Dividend Payout Ratio (DPR) shows a minimum value of 21.57%, indicating that there are companies that tend to retain profits to be reused in investing for the development and growth of the company, by investing in business growth, the company will most likely be able to generate higher capital gains for investors in the future. While the maximum Dividend Payout Ratio (DPR) of 100.08% means that there are companies that distribute almost all profits even exceeding their net profit (usually using retained earnings), with an average of 60.61% indicating that in general manufacturing companies distribute more than half of their profits to shareholders. In theory, a healthy Dividend Payout Ratio (DPR) is in the range of 30–60%, so the average in this study is slightly higher indicating that the company is more pro-dividend and the standard deviation of 24.52920 large standard deviation indicates that there are companies that distribute dividends in relatively small amounts, while other companies distribute almost all of their net profit as dividends.

Return on Equity (ROE) has a minimum value of 0.02, or 2%, indicating a company's inefficient use of equity capital to generate profits. Meanwhile, a maximum value of 0.36, or 36%, indicates a company with an excellent return on equity. The average ROE of 0.1656, or 16.56%, falls within the fairly healthy category (a good industry standard for ROE is 15%). This indicates that the sample companies have a fairly good average capital utilization capacity, with most manufacturing companies managing their capital effectively. The standard deviation of 0.08078, a relatively small standard deviation, indicates that the ROE spread between companies is not too far from the average.

The stock price has a minimum value of Rp 200, indicating a small-cap company undervalued by the market, while the maximum price of Rp 4,750 indicates a company with a high valuation. The average share price of Rp1,762.03 indicates that the majority of companies are at the middle level, according to capital market theory, the higher the share price, the higher the investor confidence in the company's prospects, and the standard deviation of Rp1,045.025 indicates a significant variation in market valuation between manufacturing companies.

Normality Test Result

In this study, the normality test was conducted using the Kolmogorov-Smirnov method. The decision-making criteria are if the significance value is > 0.05, then the data is said to be normally distributed and suitable for use because it meets the normality assumption. Based on the table above, it shows that the Asymp.Sig.(2-tailed) value is 0.200 with a significance level of more than 0.05, so the regression model from table 3 above is normal, so the regression model is suitable for use and can be continued to the next testing stage.

Table 3. Normality Test with Kolmogorov-Smirnov

Item	*Sub Item*	*Unstandardized Residual*
N		40
Normal Parameters	*Mean*	0
	Std. Deviation	2.80959663
Most Extreme Differences	*Absolute*	0.099
	Positive	0.05
	Negative	-0.099
Test Statistic		0.099
Asymp. Sig. (2-tailed)		0.2

Source: Processed Data (2025)

Multicollinearity Test Result

Table 4 shows the results of the multicollinearity test by looking at the tolerance values of the DER, EPS, PER, DPR, and ROE variables which have a tolerance value of > 0.1 and a VIF value of <10. Therefore, the regression model above does not have multicollinearity and can be continued to the next testing stage.

Table 4. Multicollinearity Test Result

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Model	*Variable*	*B*	*Std. Error*	*Beta*	*t*	*Sig.*	*Tolerance*	*VIF*
1	*(Constant)*	-40.34	5.791		-6.967	<.001		
	X1	12.412	3.113	0.206	3.987	<.001	0.496	2.015
	X2	3.209	0.156	0.984	20.636	<.001	0.581	1.721
	X3	9.668	0.689	0.823	14.043	<.001	0.385	2.597
	X4	0.877	0.44	0.11	1.994	0.054	0.433	2.312
	X5	-15.156	5.551	-0.116	-2.731	0.01	0.727	1.376

Source: Processed Data (2025)

Heteroscedasticity Test Result

Based on table 5, the results of the Glejser test in the Coefficients Table, it can be seen that the DER, EPS, PER, DPT, and ROE variables have a significance value of > 0.05, namely 0.927; 0.246; 0.464; 0.801; and 0.088 for all independent variables tested, indicating the absence of heteroscedasticity symptoms. This shows that no variables have a significant relationship with the absolute value of the residual, so it can be concluded that there are no symptoms of heteroscedasticity in this regression model. Thus, the assumption of homoscedasticity is met and the regression model can be used for further analysis without any concerns about the problem of non-constant residual variance.

Table 5. Heteroscedasticity Test Result

Model	*Variable*	*B*	*Std. Error*	*Beta*	*t*	*Sig.*
1	*(Constant)*	-2.876	3.408		-0.844	0.405
	X1	-0.17	1.832	-0.02	-0.093	0.927
	X2	0.108	0.092	0.241	1.181	0.246
	X3	0.3	0.405	0.186	0.741	0.464
	X4	0.066	0.259	0.06	0.254	0.801
	X5	5.737	3.267	0.32	1.756	0.088

Source: Processed Data (2025)

Autocorrelation Test Result

Based on Table 6 above, the Durbin-Watson value of 1.901 indicates no autocorrelation in the regression model, as it falls within the acceptable range (between 1.5 and 2.5). Therefore, this regression model is deemed free from autocorrelation and suitable for further analysis.

Table 6. Autocorrelation Test Result

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
1	0.977	0.955	0.948	3.0091	1.901

Source: Processed Data (2025)

Multiple Linear Regression Analysis

The following table shows the results of Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Test Result

Model	*Variable*	*B*	*Std. Error*	*Beta*	*t*	*Sig.*
1	*(Constant)*	-40.34	5.791		-6.967	<0.001
	X1	12.412	3.113	0.206	3.987	<0.001
	X2	3.209	0.156	0.984	20.636	<0.001
	X3	9.668	0.689	0.823	14.043	<0.001
	X4	0.877	0.44	0.11	1.994	0.054
	X5	-15.156	5.551	-0.116	-2.731	0.01

Source: Processed Data (2025)

Based on table 7 above, it shows that the multiple regression equation model for estimating stock prices

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is influenced by the Debt to Equity Ratio (DER), Earning Per Share (EPS), Price Earning Ratio (PER), Dividend Payout Ratio (DPR), and Return on Equity (ROE). The linear regression form is as follows:

$$\boldsymbol{Y = -40,340 + 12,412X1 + 3,209X2 + 9,668X3 + 0,877X4 - 15,156X5} \quad \textbf{(2)}$$

The analysis shows that all independent variables have a significance value (Sig.) below 0.05, except for the Dividend Payout Ratio (DPR), which has a significance value of 0.054. This means that the Debt to Equity Ratio (DER), Earnings Per Share (EPS), Price Earnings Ratio (PER), and Return on Equity (ROE) have a partial significant effect on the dependent variable, while the Dividend Payout Ratio (DPR) has no significant effect at the 5% significance level.

The regression coefficient for the Debt to Equity Ratio (DER) is 12.412, indicating that every one-unit increase in the Debt to Equity Ratio (DER) will increase the Stock Price by 12.412, assuming other variables remain constant. Similarly, the Earnings Per Share (EPS) variable (3.209) and the Price Earnings Ratio (PER) variable (9.668) each contribute significantly to the increase in the Stock Price variable. The Return on Equity (ROE) variable has a negative coefficient of -15.156 which indicates a significant negative influence on the Stock Price variable.

Simultaneous F Test

This simultaneous F-test is used to see the effect of independent variables on the dependent variable simultaneously by comparing the calculated F with the F-table. If the calculated F > F-table, then Ho is rejected and Ha is accepted. Based on the regression test conducted, the calculated F-value is obtained as follows:

F table = Df1 = k - 1 : Df2 = n – k
F table = Df1 = 6 - 1 : Df2 = 40 – 6
F table= 2,494.

Table 8. Simultaneous F Test Result

Model	*Source*	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	*Regression*	6545.332	5	1309.066	144.573	<0.001
	Residual	307.859	34	9.055		
	Total	6853.191	39			

Source: Processed Data (2025)

Based on table 8 above, it is known that F count is 144.573 with a significance of 0.001. F table can be obtained from the statistical F table of 2.494. Thus, it is known that F count (144.573) > F table (2.494) with Sig. (0.001) < 0.05. This means that simultaneously Debt to Equity Ratio (DER), Earning Per Share (EPS), Price Earning Ratio (PER), Dividend Payout Ratio (DPR), and Return on Equity (ROE) have an effect on Stock Price, thus this research model is suitable for use.

Partial t-test Result

The t-test is used to determine whether each independent variable has a significant partial effect on the dependent variable. The formula for calculating the t-table with a significance value of 5% is as follows:

T table = n – k
T table = 40 – 6
T table = 2,032

Table 9. Hypothesis Test Results

Model	*t*	*t Table*	*Sig.*	*Conclusion*
(Constant)	-6.967		<0.001	
X1 → Y	3.987	2.032	<0.001	Signifikan
X2 → Y	20.636	2.032	<0.001	Signifikan
X3 → Y	14.043	2.032	<0.001	Signifikan
X4 → Y	1.994	2.032	0.054	Tidak Signifikan
X5 → Y	-2.731	2.032	0.01	Signifikan

Source: Processed Data (2025)

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Based on table 9 above, the following can be seen, the research results show that the calculated t value (3.987) is greater than the t table (2.032), with a significance value of 0.001, which is still below 0.05. Even though the sig value is <0.05, the direction of the influence of X1 on Y is positive, so it is concluded that H1 is rejected.

The research results show that the calculated t value (20.636) is greater than the t table (2.032), with a significance value of 0.001, which is still below 0.05. Therefore, H2 is accepted and H0 is rejected. Therefore, it can be concluded that Earnings Per Share (EPS) has a positive and significant effect on stock prices. The research results explain that the calculated t value (14.043) is greater than the t table (2.032), with a significance value of 0.001, which is still below 0.05. Therefore, H3 is accepted and H0 is rejected. Therefore, it can be concluded that the Price Earning Ratio (PER) has a positive and significant effect on Stock Prices. The research results explain that the calculated t value (1.994) is less than the t table (2.032), with a significance value of 0.054, which is above 0.05. Therefore, H4 is rejected and H0 is accepted. Therefore, it can be concluded that the Dividend Payout Ratio (DPR) does not have a significant effect on Stock Prices. The results of the study explain that the calculated t value (-2.731) > t table (2.032) with the resulting significance value of 0.01 is still below 0.05, so H5 is rejected and H0 is accepted, so it can be concluded that Return on Equity (ROE) has a negative and significant influence on Stock Prices.

Coefficient of Determination Test Result (R^2)

Coefficient of Determination (R^2) is used to analyze or measure the extent to which a regression equation model is able to explain the variation of the independent variable against the variation of the dependent variable. The value of the coefficient of determination is between 0 (zero) and one (1). The coefficient of determination (R2) test has a limit value of $0 \leq R2 \leq 1$, meaning that the closer to 1, the better the regression line because it is able to provide the information needed to predict the variation of the dependent variable. Meanwhile, the closer to 0, the less good the regression is, meaning that the independent variable is unable to explain the dependent variable well.

Table 10. Coefficient of Determination Test Result

Model	*R*	*R Square*	*Adjusted R Square*
1	0.977	0.955	0.948

Source: Processed Data (2025)

Based on table 10 above, it can be seen that the Adjust R Square value is 0.948, meaning that Debt to Equity Ratio (DER), Earning Per Share (EPS), Price Earning Ratio (PER), Dividend Payout Ratio (DPR), and Return on Equity (ROE) can influence share prices by 94.8%, while the remaining 5.2% is influenced by other variables not used in this research.

Discussion

The Effect of Debt to Equity Ratio (DER) on Stock Prices

The research results show that the Debt to Equity Ratio (DER) has a positive and significant effect on stock prices. This finding indicates that the higher a company's DER, the higher its stock price tends to be. In other words, the market responds positively to increased debt use in its capital structure.

Theoretically, DER represents the ratio between a company's total debt and total equity. This ratio indicates the extent to which a company uses funds from creditors to finance its operational and investment activities. In general, a high DER is often considered to increase a company's financial risk. However, under certain conditions, optimal debt use can provide benefits in the form of increased investment capacity and business expansion, ultimately increasing company profits.

The positive effect of DER on stock prices can be explained through the perspective of trade-off theory, which states that using debt to a certain level can provide benefits in the form of tax savings (tax shields) and increase company value. Investors may perceive that companies that are willing to use debt effectively have good growth prospects, thus increasing interest in purchasing their shares. Increased demand for shares will then drive up share prices in the market.

Furthermore, these results indicate that investors view debt not only as a source of risk, but also as a source of funding that companies can use to expand their businesses and increase profitability. If borrowed funds are managed productively and generate a rate of return greater than the cost of debt, company performance will improve, resulting in rising stock prices.

The findings of this study also indicate that during the study period, the sample companies were able to manage their debt obligations effectively, so that an increase in the DER was not perceived as a negative signal by investors. Instead, investors viewed increased debt as an indicator of growth and expansion opportunities for the company, which could increase its value in the future.

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The Effect of Earning Per Share (EPS) on Share Prices

The research results show a positive relationship between Earnings Per Share (EPS) and stock prices. This finding aligns with the research hypothesis, which states that Earnings Per Share (EPS) positively influences stock prices. This means that the higher the Earnings Per Share (EPS) generated by a company, the greater the investor's tendency to invest, thereby increasing the stock price in the market. This research finding aligns with signaling theory, where high EPS reflects good financial performance and future profit prospects, thus providing a positive signal to investors.

Earnings Per Share (EPS) reflects a company's excellent financial condition and its ability to generate substantial profits for shareholders, thus contributing to the company's stock's high demand. Furthermore, this research finding is consistent with prior research by Ali et al., 2022; Riska et al., 2023; Sunaryo, 2020; Tri Humaerah et al., 2022.

The Effect of Price Earning Ratio (PER) on Stock Prices

The research results show a positive relationship between the Price Earnings Ratio (PER) and stock prices. This finding aligns with the research hypothesis, which states that the Price Earnings Ratio (PER) has a positive effect on stock prices. This also indicates that the higher the Price Earnings Ratio (PER), the higher investor expectations regarding the company's future earnings growth prospects, thus driving stock prices upwards.

This finding aligns with stock price theory, which states that investors are willing to pay a higher price for shares of companies with good earnings growth potential. A high Price Earnings Ratio (PER) reflects market confidence in the company's profit prospects, thus sending a positive signal to investors, increasing their interest in investing in the company.

The results of this study are consistent with the research of Sajeetha et al., (2023) and Safitri et al., (2020) which found that the Price Earning Ratio (PER) has a significant positive effect on stock prices. Thus, the Price Earning Ratio (PER) can be used as one of the fundamental indicators considered by investors in assessing the feasibility of stock investments.

The Effect of Dividend Payout Ratio (DPR) on Stock Prices

The research results show that the Dividend Payout Ratio (DPR) has no significant effect on stock prices. This finding indicates that the percentage of profits distributed to shareholders in the form of dividends is not a major factor influencing changes in the company's stock price.

This condition indicates that investors tend to pay more attention to other factors considered more reflective of the company's future prospects, such as profit growth, financial performance, expansion opportunities, industry conditions, and market sentiment. In practice, many investors conduct stock transactions to obtain capital gains from the difference between the selling and buying prices of shares, so investment decisions are more influenced by stock price movements than the amount of dividends received.

Furthermore, the results of this study can be explained by the Dividend Irrelevance Theory proposed by Merton Miller and Franco Modigliani. This theory states that in efficient capital markets, dividend policy does not affect company value or stock prices. Investors focus more on the company's ability to generate profits and increase its value than on the proportion of profits distributed as dividends.

The lack of influence of the DPR on stock prices may also be due to the characteristics of the investors who were market participants during the study period. Investors may be more attracted to companies that are able to maintain business growth and increase future profits than companies that distribute large dividends. Therefore, even if a company increases or decreases its dividend payout ratio, the market response to such changes is relatively small and does not cause significant changes in stock prices.

From a company perspective, these results indicate that dividend distribution policy is not the only factor that can increase stock market value. Investors may assess that retained earnings for investment and business development will provide greater benefits in the future than current dividend distributions. Therefore, a company's decision to distribute or retain earnings does not directly affect stock prices.

The Effect of Return on Equity (ROE) on Stock Prices

The research results indicate that Return on Equity (ROE) has a negative and significant effect on stock prices. This finding is inconsistent with the research hypothesis, which stated that ROE has a positive effect on stock prices. Theoretically, a high ROE indicates a company's ability to generate profits from capital invested by shareholders, thus increasing investor confidence and driving stock prices upward. However, the results of this study indicate that increasing ROE is actually accompanied by a decline in stock prices.

This phenomenon suggests that investors consider not only the level of profitability reflected in ROE but also the source and quality of the company's profits. In some cases, high ROE may occur not due to sustained improvements in operational performance, but rather due to non-operational gains, asset sales, temporary efficiencies, or specific accounting factors. These conditions can raise investor doubts about the sustainability of the company's future profits, leading to a less positive response to an increase in ROE.

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Furthermore, the negative effect of ROE on stock prices may be linked to the use of an aggressive capital structure. Companies can increase ROE by increasing the use of debt, resulting in a relatively small amount of equity compared to generated profits. Although this condition can increase ROE, investors may view high leverage as an indicator of increased financial risk for the company. Consequently, an increase in ROE is not always accompanied by increased investor interest in the company's shares.

The results of this study also indicate that investors tend to conduct a more comprehensive assessment of a company's condition. They focus not only on a single profitability ratio but also consider other factors such as profit stability, company growth prospects, economic conditions, business risks, capital structure, and market sentiment. Therefore, a high ROE does not automatically translate as a positive signal that can increase stock prices.

From a capital market perspective, the results of this study may indicate that during the study period, companies with high ROEs were actually experiencing a phase of slowing growth or facing greater levels of risk. Investors may perceive that current high profits do not guarantee sustainable company performance in the future, resulting in stagnant stock prices and even declining.

CONCLUSION

This study examined the effects of Debt to Equity Ratio (DER), Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Payout Ratio (DPR), and Return on Equity (ROE) on stock prices. The findings indicate that each financial ratio has a different impact on stock prices, reflecting the complexity of investor decision-making in the capital market.

The results reveal that Debt to Equity Ratio (DER) has a positive and significant effect on stock prices. This suggests that investors perceive the effective use of debt as a source of financing that supports business expansion and future growth opportunities. As long as companies are able to manage their debt efficiently and generate returns that exceed the cost of borrowing, higher leverage can increase investor confidence and positively influence stock prices.

Furthermore, Earnings Per Share (EPS) is found to have a positive and significant effect on stock prices. This finding confirms that profitability remains one of the primary considerations for investors when evaluating investment opportunities. Higher EPS signals stronger financial performance and greater potential returns for shareholders, thereby increasing demand for the company's shares and driving stock prices upward.
Similarly, the Price Earnings Ratio (PER) has a positive and significant effect on stock prices. A higher PER reflects investors' expectations regarding the company's future growth prospects and earnings potential. Consequently, companies with strong growth expectations tend to attract greater investor interest, resulting in higher stock valuations in the market.

In contrast, the Dividend Payout Ratio (DPR) does not have a significant effect on stock prices. This finding indicates that dividend policy is not a primary factor considered by investors in determining investment decisions. Investors appear to place greater emphasis on capital gains, future profitability, business growth opportunities, and overall company performance rather than on the proportion of earnings distributed as dividends.

Finally, Return on Equity (ROE) is found to have a negative and significant effect on stock prices, contrary to the proposed hypothesis. This result suggests that investors do not assess profitability solely based on the magnitude of ROE but also consider the sustainability and quality of earnings, business risks, and capital structure. A high ROE may not always be interpreted as a positive signal, particularly when it is associated with increased financial leverage or temporary gains that may not be sustainable in the long run.

Overall, the findings demonstrate that stock prices are influenced not only by profitability indicators but also by investors' perceptions of growth opportunities, financial risk, earnings quality, and future company prospects. Therefore, investors should evaluate financial ratios comprehensively rather than relying on a single indicator when making investment decisions. Likewise, company management should focus on maintaining sustainable financial performance, optimizing capital structure, and creating long-term value to enhance investor confidence and support stock price growth.

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