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Analysis Stock Price: Earnings per Share as Moderating Variable

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Abstract

This study seeks to determine the influence of moderating factors on the company's financial performance on the stock price in the consumer cyclical sector, such as current ratio, debt-to-equity ratio, return on equity, and earnings per share. The study's population consisted of industrial enterprises in the consumer cyclical sector sourced from the 2020–2022 Indonesia Stock Exchange website. Purposive sampling was used to acquire 31 firms for the study. Multiple regression and moderate regression analyses are data analysis procedures where Stata 17 software is used for data processing. Furthermore, this analysis assumes that the debt-to-equity ratio, return on equity, and current ratio affect stock prices. The debt-to-equity ratio, return on equity, and current ratio are all impacted by earnings per share. Stock prices might be impacted by it as well. Data analysis indicates that although the debt-to-equity and current ratios do not affect stock prices, the return on equity does. If profits per share rise, stock prices may be less impacted by debt-to-equity and current ratios. Earnings per share cannot moderate the Return on Equity on stock prices.

Keywords: Current Ratio, Debt to Equity Ratio, Return on Equity, Earnings Per Share, Stock Price

1. Introduction

During the last trading day of 2022, stocks on Wall Street experienced significant declines, resulting in the worst monthly and annual losses since 2008. Wall Street experienced its most severe annual decline since 2008 because of tax losses and concerns about the future of corporate profits and the performance of the American consumer. According to Dow Jones market data, the S&P 500 declined for the fourth consecutive week, marking the longest losing streak since May. The Dow Jones down 0.2%, the S&P 500 fell 0.1%, and the Nasdaq fell 0.3%. All three major indices experienced their most significant annual declines since 2008, with the Dow Jones down 8.8% in 2022, the S&P 500 down 19.4%, and the tech-stock-laden Nasdaq down 33.1%. The benchmark interest rate of the US central bank has increased by more than four percentage points since the start of the year, pushing up borrowing prices to a level not seen since 2007. The result has been a decline in the stock and bond markets. The market is anticipated to suffer significantly from the Federal Reserve's first-rate drop. However, the Federal Reserve has attempted to indicate its intention to keep interest rates higher for longer. However, the likelihood of this outcome remains to be determined (Hafiyyan, 2022).

Meanwhile, in Indonesia in 2022 according to a report from the Financial Services Authority, the Jakarta Composite Index (JCI) on the Indonesia Stock Exchange (IDX) has experienced a significant increase of 269.14 points, or equivalent to a growth rate of 4.09%, compared to the initial value of 6,850.6. By 2022, the JCI will have a strong place in ASEAN, Asia Pacific, and global rankings due to this accomplishment. According to data released by the Indonesia Stock Exchange (IDX) on December 30, 2022, the Jakarta Composite Index (JCI) was ranked as the second highest among ASEAN countries. The JCI was outperformed by Singapore's Straits Times Index (STI), which recorded a 4.27% rise. Thailand's SETi Index experienced a 1.12% increase, securing the third position among the stock indices of several countries that saw a fall. The Jakarta Composite Index (JCI) recorded a growth rate of 4.09% in 2022, lower than the 10.08% growth rate recorded in the previous year. However, it should be noted that Indonesia's capital market capitalization experienced a significant growth of more than 15% in comparison to the prior year, reaching IDR 9,495 trillion as of December 29, 2022, which is approximately equivalent to US$600 billion. On December 29, 2022, there was a 10.1% increase in average transaction value, reaching IDR 14.7 trillion, compared to the same period in 2021. According to data from KSEI, the quantity of investors participating in the capital market in 2022 experienced a significant increase of 37.68%, reaching 10.31 million. This figure shows a significant increase from the previous year's 7.49 million investors. Of course, there are various factors that cause the JCI to fluctuate. The significant fluctuation of JCI coincides with the occurrence of various global phenomena in 2022, these phenomena are the world oil price war between Russia and Saudi Arabia, the war between Ukraine and Russia, and the high inflation rate in the United States. Where these phenomena have an impact on global macroeconomic conditions, it is suspected that there are various macroeconomic factors that affect the JCI, namely world crude oil prices, exchange rates, inflation, Dow Jones industrial average, and the Nikkei 225 index on the composite stock price index (Nasution et al., 2023).

Despite the rise in the Jakarta Composite Index (JCI) and investor activity, it is important to note that not all sectors on the Indonesia Stock Exchange (IDX) are performing well. The following data illustrates the development of the stock price index in several sectors over the course of 2022.

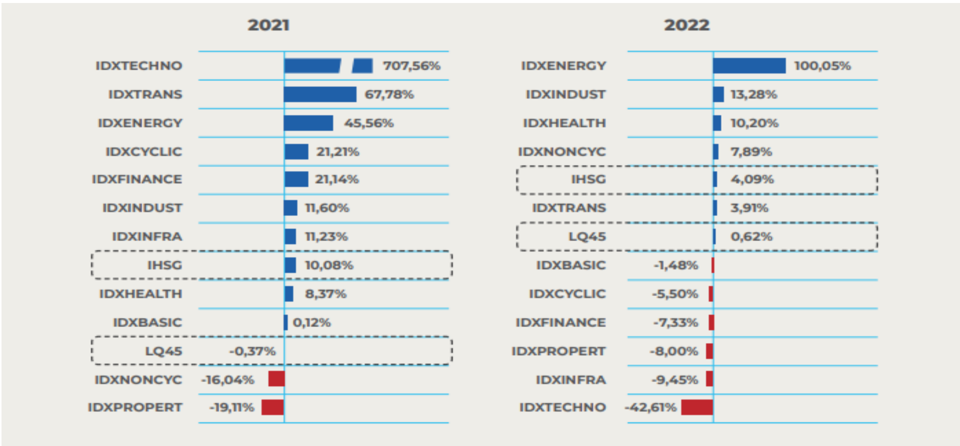

Figure 1. IDX Performance by Sector
Source: (Otoritas Jasa Keuangan, 2022)

Based on Figure 1 above, there was an increase in share prices across the five sectors. IDXENERGY recorded a significant increase of 100.05%, reflecting the excellent performance of this sector. IDXINDUST also showed a good increase, with a growth of 13.28%. Meanwhile, IDXHEALTH, IDXNONCYC, and IDXTRANS also recorded share price increases of 10.20%, 7.89%, and 3.91%, respectively. However, on the other hand, six sectors experienced a decline in share prices. IDXBASIC saw a decline of -1.48%, indicating a slight decline in performance. IDXCYCLIC fell by 5.50%, indicating a more significant decline. IDXFINANCE, IDXPROPERT, and IDXINFRA also experienced declines, with IDXFINANCE down -7.33%, IDXPROPERT down -8.00%, and IDXINFRA down -9.45%. The hardest hit sector was IDXTECHNO, with a particularly deep drop in share price, reaching -42.61%.

The focus is on consumer cyclical stocks or stocks in the non-primary consumer products industry. In addition to sectoral movements that are still red, consumer cyclical stocks also have the potential to dominate the special monitoring board. As is known, the Indonesia Stock Exchange (IDX) is preparing a special monitoring board. This board will be filled with stocks with special notations and separate trading mechanisms to increase investor protection. The IDX is currently recruiting issuers that have the potential to fill the special monitoring board. Referring to the list of special monitoring securities on the IDX official website, 153 stocks have been netted so far. Issuers from the consumer cyclical sector fill the majority. There are 42 non-primary consumer goods issuers or around 27.5% of the current special monitoring securities list. It is essential to remember that the consumer cyclical business encompasses several sectors, such as retail, media, entertainment, auto parts, recreational products, consumer services, clothing, and luxury goods. Due to several fundamental factors, the IDX special watch list includes stocks in the dominant cyclical consumer sector. The business and financial performance of some non-primary consumer goods issuers in this list has declined, especially in revenue, profitability, and equity. Typically, the market capitalization of these issuers is in the mid-to-low range. The second component relates to challenges issuers face, such as PKPU or legal issues, manifested in share price fluctuations. The performance of stock issuers, especially those with lower-middle market size, is often affected by economic volatility (Mulyana & Rahmawati, 2023).

To evaluate the financial performance of corporations regarding their stocks, this research uses several measures as moderating variables, including the current ratio, return on equity, debt-equity ratio, and earnings per share. These ratios are chosen based on recommendations and findings from previous studies that show mixed results. The current ratio shows how much a corporation can satisfy short-term obligations, making it a valuable tool for evaluating its liquidity (Brigham et al., 2009). As Kasmir (2012) found, a greater ratio suggests the business has more assets to cover its obligation to creditors.

The debt-to-equity ratio is a measure of a company's capital structure that indicates the percentage of debt to equity (Kasmir, 2012). It is commonly utilized to assess how much the business's capital serves as collateral for loans. A rise in this percentage will likely result in higher losses for creditors due to the heightened chance of financial losses resulting from firm failure.

Return on Equity (ROE) assesses the efficiency of a company in generating profits from its capital. This ratio demonstrates the relationship between post-tax earnings and the average capital of the company. The ratio indicates how effectively the company uses its capital to generate profits. Enhanced financial returns offer advantages to business proprietors.

One significant element influencing stock value is earnings per share (EPS). The net income a corporation may give shareholders is measured by its earnings per share (EPS). EPS is very important to company management, shareholders, and potential investors because it gives an idea of the profit earned per share. EPS also serves as an indicator to measure the profit earned per share and provides a perception of the company's future earnings prospects.

Absari (2022) study investigates the relationship between stock valuation and financial success, particularly emphasizing the moderating variable of earnings per share. This analysis uses a sample that includes stock LQ-45. The study's findings show that there is no statistically significant association between the debt ratio, liquidity, return on equity, and stock price. Additionally, the study's results indicate a positive association between stock price and profits per share, even if it is not statistically significant. Siagian et al. (2021) investigated the relationship between several financial metrics, such as the current ratio, return on equity, and debt to asset ratio. The study's findings show that return on equity and the current ratio have a substantial and favorable influence on stock prices. Although the association between the debt-to-asset ratio and stock prices is not statistically significant, it does have a negative impact on prices. Additionally, Nathania & Wijaya (2023) conducted a study that combined several financial indicators, such as return on assets, current ratio, debt ratio, and earnings per share, as moderating variables. The results show a direct relationship between liquidity and profitability on stock prices, while solvency and earnings per share exhibit an inverse relationship with stock prices.

This study assesses the impact of financial performance on stock prices by analyzing a range of existing research. The study aims to evaluate the impact of financial performance indicators such debt-to-equity ratio (DER), profits per share (EPS), liquidity, asset size, and return on equity (ROE) on stock prices. Absari (2022) completed recent study that is the main topic of our examination. This research uses the Current Ratio (CR), Debt-to-Equity Ratio (DER), and Return on Equity (ROE) metrics to evaluate how financial performance affects stock prices. Earnings per share (EPS) is a moderating variable utilized to evaluate the impact of EPS on the relationship between stock prices and financial performance.

2. Literature Review

2.1. Signaling Theory

Company management engages in signaling as a reaction to information asymmetry (Brigham & Houston, 2013). One potential strategy to reduce information asymmetry is disseminating favorable and reliable financial signals to external stakeholders. This method decreases the ambiguity regarding the company's future, thereby enhancing the company's chances of success (Brigham & Houston, 2013). Signaling theory explains how companies disseminate information related to financial statements to consumers, with a particular emphasis on investors ready to engage in investment activities. Signals and cues from the company are important because they influence investment decisions external stakeholders make. The stronger the signals provided by the company, the higher its performance. Upward movements in a company's stock price often signal positive financial success. According to Ahmad et al. (2022) the market may become more confident in the company's performance and prospects if its valuation rises.

2.2. Stock Price

The price visible to market participants on the stock exchange at any time results from the interaction of supply and demand Jogiyanto (1998). The interdependence of demand, supply, price, and quantity is fundamental to any trading transaction. In economics, demand and supply intersect at a certain equilibrium point characterized by a unit price and quantity. Several factors contribute to the attractiveness of stocks to investors. Stock price fluctuations are frequently impacted by the interaction between market supply and demand. An increase in share demand will result in a rise in share price. Because of these share price variations, the financial gain resulting from the sale of shares can be either capital gains or capital losses. In addition, stocks also generate additional income through dividend payments.

2.3. Financial Ratio Analysis

According to Munawir (2010) predicting a company's future financial performance and state is the primary advantage of financial ratio analysis. Financial statements are used in financial ratio analysis to assess a company's financial status. This research uses industry ratio numbers and supplementary data for financial statements and a company's financial planning. To attract investors, a company must demonstrate strong performance. Financial ratios serve as a mechanism to attract potential investors. Companies typically use five measures to evaluate their financial and operational performance: liquidity, activity, solvency, profitability, and market ratios.

2.4. Current Ratio to Stock Price

The current ratio is a financial indicator used to assess a company's ability to repay short-term debts (Brigham & Houston, 2013). The current Ratio's limited focus on a company's ability to meet short-term obligations is considered a drawback. Nevertheless, creditors perceived to be reliable in meeting their short-term financial commitments will also view the high current ratio as favorable. Shareholders with a high current ratio may bear risk due to the perception that the company is relatively inferior and less capable of generating profits. Research conducted by Zaman (2021), Elviana & Ali (2022) and Ramdany & Manurung (2022) shown a statistically significant and positive correlation between the current ratio and stock price. On the other hand, Ariesa et al. (2020) and Prianda et al. (2022) elucidate why the current ratio and stock price have a statistically significant negative connection.

2.5. Debt to Equity Ratio to Stock Price

Harahap (2013) formulates that the debt-equity ratio (DER) is a financial metric that assesses the relationship between a company's liabilities and capital. Specifically, it measures how companies can fulfil their commitments to external stakeholders. Interestingly, this metric can be useful in knowing the extent to which borrowers allocate financial resources to company owners. Research by Tarsono (2021), Rahmawati & Hadian (2022) and Simanullang & Simanullang (2022) explains that Debt to Equity Ratio (DER) has a positive and statistically significant effect on stock prices. Meanwhile, the findings of Rusdiyanto et al. (2020) and Juwita & Diana (2020) promote the belief that stock prices are negatively and statistically insignificantly impacted by the debt-equity ratio (DER).

2.6. Return on Equity to Stock Price

Return on Equity (ROE) is a financial term that assesses how profitable a business is by analyzing the return on investors' capital. The magnitude of this ratio depends on the size of the company, as smaller companies tend to have lower capital, while larger companies tend to have higher capital. This ratio is often used to assess and compare many organizations regarding investment prospects and effective cost management. There is a favorable correlation between stock prices and Return on Equity (ROE), according to research by Anwar (2019), Lusiana (2020) and Choiriyah et al. (2020). In contrast return on equity and stock price were shown to have a negative and statistically significant association by Mudzakar (2021) and Ekanayake & Indrani (2023).

2.7. Earnings Per Share Moderates the Effect of Current Ratio, Debt to Equity Ratio, Return on Equity on Stock Price

In economics, demand and supply intersect at a certain equilibrium point characterized by a unit price and quantity. Several factors contribute to the attractiveness of stocks to investors. The interaction between market supply and demand often influences changes in stock prices. If there is an increase in demand for shares, there will be an upward movement in the share price. Because of these share price variations, the financial gain resulting from the sale of shares can be either capital gains or capital losses. In addition, stocks also generate additional income through dividend payments. Earnings per share (EPS) is a financial metric used to assess a company's profitability per share of common stock. To determine profitability and risk, evaluating the link between valuation earnings and stock prices is common practice. A moderating element that produces a range of outcomes is earnings per share (EPS). Liana (2009) suggests that incorporating moderating variables identifies potential factors that may affect the dependent and independent variables. An essential indicator of public firms' success from the standpoint of shareholders is the yearly variation in Earnings Per Share (EPS). An increased Earnings Per Share (EPS) number signifies the company's potential to produce substantial earnings for its shareholders. A lower EPS number suggests that the firm may be able to produce lesser earnings for its shareholders. Research conducted by Sari (2021) and Gharaibeh et al. (2022) demonstrates that stock prices and earnings per share (EPS) have a positive connection.

2.8. Research Model

In this study, there are three independent variables: Current Ratio (CR), Debt to Equity Ratio (DER), Return on Equity (ROE), and one moderation variable Earnings Per Share (EPS), with the dependent variable being Stock Price.

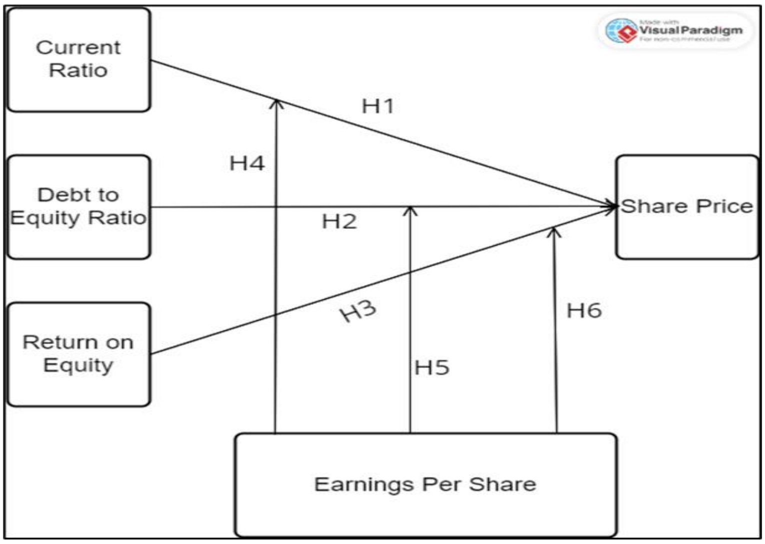

Figure 2. Conceptual Framework
Source: Data Processed by author (2023)

2.9. Hypothesis

A hypothesis is a provisional conjecture put forward by researchers in a study. This supposition is developed by drawing upon established ideas and the findings of prior research to address the specific topic under investigation. The hypothesis put out in this study is as follows:

H1: Current Ratio has a significant effect on stock prices.
H2: Debt to Equity Ratio has a significant effect on stock prices.
H3: Return on Equity has a significant effect on stock prices.
H4: Earnings per Share can moderate the Current Ratio on stock prices.
H5: Earnings per Share can moderate Debt to Equity Ratio on stock prices.
H6: Earnings per Share can moderate Return on Equity on stock prices.

3. Materials and Methods

3.1. Materials

Since the study uses numerical data from financial reports retrieved from the IDX website, www.idx.co.id, causality and quantitative research methodologies are used in this study. Studies of specific populations or samples are conducted using quantitative research, an approach based on positivism and data collecting using research tools. Tests of preconceived hypotheses are the goal of quantitative and statistical data analysis (Sugiyono, 2017). This research included 149 industrial enterprises in the consumer cyclical sector as its population. This study employed purposive sampling in the sample selection process. Some of the criteria used in the consumer cyclical sector from 2020-2022 are companies that present audited financial reports, have complete variables with research, and have positive profits. Thirty-one firms that satisfied the requirements for three periods comprised the study sample based on earn in these characteristics.

3.2. Methods

This research performed multiple and moderate regression analyses to evaluate the data hypothesis produced using Stata 17 software. The objective of this data test is to identify a relationship between the independent and dependent variables. Before evaluating the research hypothesis, a heteroscedasticity and multicollinearity test, then a classical assumption test, are conducted (Tri & Yuliadi, 2015).

3.2.1. Operational Definition and Measurement of Variables

The independent, dependent, and moderating factors were chosen based on the study title, and the following explains each:

Table 1. Operational Variables

No.	Variables	Measurements	References
1.	Current Ratio (X1)	CR = Current Asset / Current Liabilities	(Ramdany & Manurung, 2022)
2.	Debt to Equity Ratio (X2)	DER = Total Liabilities / Total Equity	(Tarsono, 2021)
3.	Return On Equity (X3)	ROE = Earnings After Tax / Total Equity	(Asmirantho & Somantri, 2017)
4.	Stock Price (Y)	Stock Price = Highest Stock Price + Lowest Stock Price / 2 (every year)	(Santosa & Affandi, 2018)
5.	Earnings Per Share (Moderation Variable – M)	EPS = Net Profit / Number of Stocks Outstanding	(Sari, 2021)

3.2.2. Equation

An examination of a panel data regression model is conducted using multiple linear regression analysis, which includes the Chow, Lagrange Multiplier, and Hausman tests. The variables in the model are analyzed using the Moderated Regression Analysis (MRA) technique. Here is the MRA equation model:

$$Stock\ Price = C + b1\ CR + b2\ DER + b3\ ROE + b4\ CR \times EPS + b5\ DER \times EPS + b6\ ROE \times EPS + \varepsilon$$

4. Results and Discussion

4.1. Results

Panel Data Regression Tests

To determine whether the MRA equation is suitable for use in analysis, a model feasibility test is carried out consisting of Chow test, Lagrange Multiplier test and Hausman test, following are the test results:

Table 2. Panel Data Regression Tests Result

Tests Type	Terms	Suitable Models
Chow Test	Probability Value < 0.05 then choose Fixed Effect Model	Probability Value > F = 0.000, Fixed Effect Model
Lagrange Multiplier Test	Probability Value < 0.05 then choose Random Effect Model	Probability Value > F = 0.0000, Random Effect Model
Hausman Test	Probability Value < 0.05 then choose Fixed Effect Model	Probability Value > F = 0.7551, Random Effect Model.

Source: STATA Software Output Results

Table 2 test results indicate that the Random Effect Model is the most suitable regression model for this study.

Classical Assumption Tests

Multicollinearity and heteroscedasticity tests are the only ones needed for panel data regression (Tri & Yuliadi, 2015). Based on the classical assumption test using multicollinearity and homoscedasticity tests, it was found that all tests passed. For the multicollinearity test, VIF values < 10, including VIF CR = 1.50, VIF DER = 1.81, VIF ROE = 2.26 and VIF EPS = 1.16. This implies that the variance is consistent across observations and that there is no connection between the independent variables in the regression. The random effect model employs the Generalized Least Square approach; hence, if that is the model utilized, there is no need to do the heteroscedasticity test (Greene, 2007).

Table 3. Classical Assumption Test **Results**

Tests Type	Terms	Results	Conclusions
Multicollinearity Test	VIF Value < 10	VIF CR = 1.50	Passed multicollinearity test
		VIF DER = 1.81	
		VIF ROE = 2.26	
		VIF EPS = 1.16	
Heteroscedasticity Test	Homoscedastic	Homoscedastic	Passed heteroscedasticity test

Source: STATA Software Output Results

Hypothesis Test

Table 4. Hypothesis Test Result

Random Effect Model

Variable	Coefficient	Z	P>[z]	Description	Hypothesis Conclusion
Constant	638.805	-3.57	0.037	-	-
CR	-82.430	-1.76	0.078	Not Significant	Rejected
DER	-233.533	-0.94	0.349	Not Significant	Rejected
ROE	5156.762	3.07	0.002	Significant	Accepted
CR × EPS	1.843	2.07	0.039	Strengthening	Accepted
DER × EPS	5.745	2.73	0.006	Strengthening	Accepted
ROE × EPS	-36.209	-3.57	0.000	Weakening	Rejected

Source: STATA Software Output Results

$$Stock\ Price = 638.805 - 82.430\,CR - 233.533\,DER + 5156.762\,ROE + 1.843\,CR \times EPS + 5.745\,DER \times EPS - 36.209\,ROE \times EPS + \varepsilon$$

According to the regression equation, Constant has a coefficient value of 638.805, which indicates that the stock price is 638.80 points if all other variables remain constant. The stock price decreases in response to high CR, as shown by the current Ratio's coefficient value of -82.430; nevertheless, this impact is negligible due to the P-value of 0.078. With a coefficient value of -233.533 for the debt-to-equity Ratio, it can be explained that a high DER value would lead to a decline in the stock price; however, this impact is not statistically significant since the P-value is 0.349. Return on Equity's coefficient value of 5156.762 indicates that a high ROE value would raise the stock price, and as the impact is considerable, the P-value is 0.002. Additionally, the interaction variable between the Current Ratio and Earnings per Share (EPS) has a positive value of 1.843, indicating that EPS may both increase and decrease the influence of the CR on stock prices. The variable for moderation interaction the coefficient of DER×EPS is 5.745, indicating a positive value. This suggests that earnings per share both mitigate and reinforce the impact of the debt-to-equity Ratio on company prices. The moderating effect of Return on Equity on stock prices is weakened by profits per share, as seen by the negative coefficient of -36.209 for the moderation interaction variable ROE×EPS.

4.2. Discussion

Effect of Current Ratio on Stock Price

The data analysis results indicate that the stock prices of companies in the consumer cyclical sector are not influenced by the current ratio. A high current ratio (CR), which denotes an accumulation of the company's current assets, such as inventories and accounts receivable, yields a negative current ratio figure. It implies that the company cannot create profitable endeavors from its excess assets. Investors will thus become aware of the company's losses, which will diminish the market for its shares and lower its price. Higher profits might persuade investors to buy the company's shares if excess current assets are actively leveraged to increase working capital. The findings of this study support that of Akbar & Nurita (2021) and Tangngisalu (2022) studies, which found no relationship between stock prices and the current ratio.

Effect of Debt-to-Equity Ratio on Stock Price

The data analysis results show no appreciable relationship between the debt-to-equity ratio (DER) and the stock prices of consumer cyclical companies. More specifically, a rise in DER value causes the stock price to fall, while a fall in DER value causes the stock price to rise. A corporation with a high DER value has either more debt or less equity capital. If the business is run well and efficiently, strategically using debt to finance growth or operating costs may be lucrative and raise share value. Consequently, the fundamental causes of the debt determine how the Debt-to-Equity Ratio (DER) affects stock prices. Research by Setiawan & Sumantri (2020) and Safitri et al. (2020) suggests that there is no discernible influence of the debt-to-equity ratio on stock prices.

Effect of Return on Equity on Stock Price

The data processing's conclusions demonstrate that a company's return on equity significantly impacts its share price in the consumer durables industry. The research demonstrates that stock prices on the Equity variable are favorably and strongly impacted by Return. Return on Equity reflects the influence of all other ratios and is the best single performance measure from an accounting perspective. Investors will like a high ROE value because a higher ROE value generally correlates positively with the stock price. This condition can occur when the company can utilize its capital to generate a profit, so the use of ROE variables is considered capable of being used as a benchmark in this study because high returns can have an impact on the efficient use of capital in the company so that it has an impact on the company's profits obtained. The findings of this analysis support earlier findings by Hertina & Saudi (2019) and Monica & Hasanuh (2020) that Return on Equity significantly influences stock prices.

Effect of Current Ratio on Stock Price with Earnings Per Share as Moderation Variable

Earnings per share can offset the effect of the current ratio on consumer cyclical sector companies' stock prices. Its capacity to repay its short-term debt via current asset turnover shows the company's strong success. Earnings Per Share is key metric investors consider when investing in a company because of its potential to generate significant profits. Companies have a variety of current assets, including cash that can be used immediately, inventory ready for sale, and accounts receivable. By understanding Earnings Per Share, investors can estimate the company's prospects and how much investment profit can be obtained. Accordingly, a firm with a high earnings per share value will have made a significant profit from its operations, which will increase the quantity of cash it owns. As a result, the stock price of the firm will increase. According to this research, earnings per share may mitigate the impact of the current ratio on stock prices. Any alteration to the relationship between the current ratio and earnings per share that might influence stock prices via adjustments to the current ratio's value is classified as such. The results of this study support those of earlier studies by Mukhtasyam et al. (2020) and Fangohoi et al. (2023) which found that earnings per share may mitigate the impact of the current ratio on stock prices.

Effect of Debt-to-Equity Ratio on Stock Price with Earnings Per Share as Moderation Variable

In consumer cyclical firms, the impact of the equity ratio on stock prices may be mitigated by earnings per share (EPS). This might suggest that adjustments to the debt-to-equity ratio's link with profits per share could increase the ratio's influence on stock prices. Gaining new investors may benefit the firm since the rising value of Earnings Per Share speaks volumes about the company's prospects to prospective backers. A rise in the value of Earnings Per Share indicates that the firm is making more money, which it may use to pay its debts. It will surely increase the company's valuation and affect the share price. The findings of this investigation are consistent with those of earlier studies by Fathia et al. (2023) and Nathania & Wijaya (2023) which indicate that earnings per share might mitigate the impact of debt-to-equity ratio on stock prices.

Effect of Return on Equity on Stock Price with Earnings Per Share as Moderation Variable

The impact of Return on Equity on stock prices in Consumer Cyclical Companies cannot be mitigated by Earnings Per Share (EPS). Companies that deal in consumer cyclicals may make money from their equity. The stock price will rise in response to a high Return on Equity, indicating the Company's capacity for making profits. A high level of profit ensures the Company's long-term business continuity. Profitability can positively impact stock performance, attracting the attention of investors who want to allocate their capital. However, over time, profit growth cannot be distributed proportionally to shareholders due to various obligations the Company must fulfil, resulting in decreased dividends distributed to investors. Consumer cyclical businesses often have significant levels of short-term debt since they anticipate needing to use their revenue in the future to pay off these commitments. With these high obligations, the Company has a limited ability to increase the amount of retained earnings, so this reduces investor interest and has the potential to reduce stock prices. Therefore, during high stock prices, profits per share in consumer cyclical businesses cannot increase the effect of return on equity. Thus, this study's findings align with previous research by

Rinofah et al. (2022) and Trianjani & Suwitho (2023) which discovered that profits per share could not lessen the effect of return on equity on stock prices.

5. Conclusion

Explaining research and analysis have led to the following conclusions: (1) The current ratio does not significantly impact the price of shares in the Consumer Cyclical sector. It demonstrates that the share price is not substantially impacted by changes in the current ratio's size; (2) The debt does not substantially impact the stock price in the consumer cyclical sector to equity ratio; (3) The prices of the consumers' shares are significantly and favorably impacted by return on equity; (4) Earnings per share moderate the link between the stock price and the current ratio; (5) Earnings per share may moderate the link between the debt-to-equity ratio and stock price; (6) Earnings per share cannot mediate the link between the return on equity ratio and stock price. Some suggestions that can be used as improvements for further research are: (1) The company should increase its investment in purchasing securities or bonds, which can be sold to add capital to its operational activities without relying much on debt; (2) The corporation must monitor earnings per share and return on equity to boost profits, lower debt, and financial load for the company, and raise stock prices; (3) The company needs to optimize the use of assets; less productive assets should be sold to suppress the cost of asset depreciation.

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