

The Influence of Return on Assets and Earnings Per Share on Stock Prices in IDX High Dividend 20 Companies for the 2022-2024 Period

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Abstract: *This study examines how Return on Assets (ROA) and Earnings Per Share (EPS) influence stock prices, focusing specifically on companies included in the IDX High Dividend 20 index during the 2022–2024 period. The analysis uses secondary data obtained from financial statements and stock price records, which are processed using panel data regression. Model selection was carried out through the Chow, Hausman, and Lagrange Multiplier tests, resulting in the Common Effect Model (CEM) as the most appropriate approach. To enhance the robustness of the estimates, White period standard errors were applied. The results reveal an interesting pattern: ROA shows a negative and significant relationship with stock prices, while EPS has a positive and significant effect. When examined simultaneously, both variables contribute meaningfully to explaining stock price variation. These findings suggest that, within high-dividend companies, investors tend to place greater emphasis on earnings per share rather than asset-based profitability when making investment decisions*

Abstrak : *Penelitian ini mengkaji pengaruh Return on Assets (ROA) dan Earnings Per Share (EPS) terhadap harga saham, dengan fokus pada perusahaan yang tergabung dalam indeks IDX High Dividend 20 selama periode 2022–2024. Data yang digunakan berupa data sekunder yang diperoleh dari laporan keuangan dan data harga saham, kemudian dianalisis menggunakan regresi data panel. Pemilihan model dilakukan melalui uji Chow, Hausman, dan Lagrange Multiplier, yang menunjukkan bahwa Common Effect Model (CEM) merupakan pendekatan yang paling sesuai. Untuk meningkatkan keandalan hasil estimasi, penelitian ini juga menerapkan White period standard error. Hasil penelitian menunjukkan adanya pola yang menarik, di mana ROA memiliki hubungan negatif dan signifikan terhadap harga saham, sementara EPS berpengaruh positif dan signifikan. Secara simultan, kedua variabel tersebut mampu menjelaskan variasi harga saham secara cukup kuat. Temuan ini mengindikasikan bahwa dalam konteks perusahaan dengan karakteristik dividen tinggi, investor cenderung lebih mempertimbangkan earnings per share dibandingkan profitabilitas berbasis aset dalam pengambilan keputusan investasi.*

Keywords : *ROA, EPS, Stock Price, Panel Data, IDX High Dividend 20*

INTRODUCTION

Stock prices are often used as a simple way to see how the market values a company. However, they do not only reflect the company's current financial condition. In many cases, stock prices also capture investor expectations about future performance, growth potential, and overall business prospects. In practice, investors rely heavily on financial statements when making decisions. These reports provide structured information about a company's financial position and performance. Among

the many indicators available, profitability is usually one of the main concerns, since it shows the company's ability to generate earnings over time (Brigham & Houston, 2019).

Financial statements serve as a primary source of information for investors in evaluating company performance. These reports provide structured insights into financial position, operational results, and cash flows. Among the various aspects analyzed, profitability becomes a central focus, as it reflects the company's ability to generate earnings (Kasmir, 2014). In general, companies with higher ROA are considered to have better operational performance, which should positively influence investor perception and increase stock prices.

Return on Assets (ROA) is widely used to measure how efficiently a company utilizes its assets to generate profit. In general, a higher ROA indicates better operational efficiency. Meanwhile, Earnings Per Share (EPS) represents the amount of income earned per share, making it particularly relevant for investors when assessing returns (Prof. Dr. Eduardus Tandellin, 2017). As a result, EPS is often used as a key consideration in investment decision-making.

To provide a clear visualization of the relationship between these variables, the following research framework is proposed:

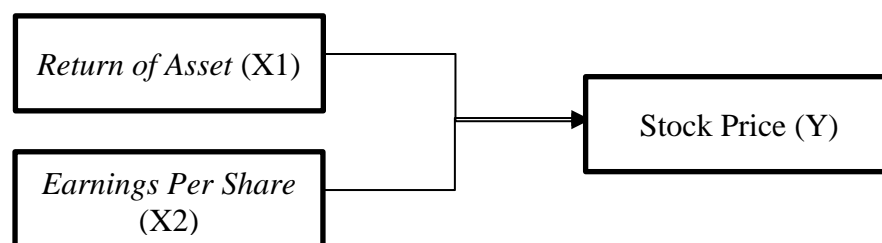


Figure 1. Research Framework
Figure source: Developed by Author (2026)

Figure 1 illustrates the theoretical relationship where ROA and EPS are hypothesized to influence the Stock Price both individually and simultaneously. This framework serves as the basis for the statistical testing conducted in this study.

Although both ROA and EPS are theoretically expected to positively influence stock prices, actual outcomes may vary depending on investor preferences and market characteristics. External conditions and behavioral factors also contribute to stock price movements (Fama, 1970).

From a methodological perspective, analyzing the relationship between financial performance and stock prices requires an appropriate quantitative approach to ensure objective and measurable results. Quantitative research enables the use of statistical techniques to test relationships between variables and provide empirical evidence (Sugiyono, 2019). Furthermore, panel data analysis allows

researchers to combine cross-sectional and time-series data, resulting in more comprehensive and efficient estimations (Gujarati & Porter, 2009).

This study focuses on companies included in the IDX High Dividend 20 index, which are characterized by relatively stable performance and consistent dividend distribution. Based on this background, the study aims to analyze the effect of ROA and EPS on stock prices.

METHOD

This study uses a quantitative approach to examine the relationship between ROA, EPS, and stock prices (Creswell, 2014). The data analyzed in this research are secondary data, collected from published financial statements and stock price data of companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

The sample was selected using purposive sampling, meaning that only companies meeting certain criteria were included in the analysis (Uma Sekaran & Roger Bougie, 2016). Based on this selection process, a total of 30 observations were obtained. Based on these diagnostic tests, the Common Effect Model (CEM) was selected for this study.

To ensure the model provides the Best Linear Unbiased Estimator (BLUE), multicollinearity and heteroskedasticity tests were conducted (Ghozali & Ratnaningsih, 2021). Recognizing the potential for non-constant variance in panel data, this study applies White Period Standard Errors (HAC Standard Errors) available in EViews 12. This approach helps improve the reliability of the estimation results, especially when the data show non-constant variance (Jeffrey M. Wooldridge, 2020).

The normality of residuals was evaluated using the Jarque-Bera Test. This test compares the skewness and kurtosis of the residuals to a normal distribution, where a probability value > 0.05 indicates that the residuals are normally distributed (Badi H. Baltagi, 2021).

The panel data regression model is formulated as follows:

$$Y = \alpha + \beta_1 ROA + \beta_2 EPS + \varepsilon$$

where:

- Y = Stock Price
- α = Constant
- β_1, β_2 = Regression Coefficients
- ε = Error term

RESULTS AND DISCUSSION

The initial stage of the analysis involved a descriptive statistical assessment to define the distribution and characteristics of the financial data collected from the IDX High Dividend 20 constituents between 2022 and 2024. This quantitative summary provides the necessary context regarding the financial health and market position of the sampled firms.

Table 1. Descriptive Statistics of Variables

Variable	Mean	Min	Max	Std. Dev
Stock Price	7486.667	1450	39025	8401.625
ROA	0.0882	0.021	0.277	0.06517
EPS	1046.927	128.07	5631.19	1526.861

Table source: Processed Data (2026)

The data presented in Table 1 illustrates a significant disparity in market valuation among the sampled firms, as evidenced by the substantial range between the minimum stock price of Rp1,450.00 and the maximum of Rp39,025.00. The mean Stock Price of Rp7,486.67, coupled with a high standard deviation (8,401.625), reflects the heterogeneous nature of the high-dividend sector. Furthermore, the average Return on Assets (ROA) of 8.82% indicates that these companies generally maintain a healthy level of profitability relative to their total assets. The Earnings Per Share (EPS) also shows a wide distribution, reaching a peak of Rp5,631.19, which underscores the robust profit-sharing capacity inherent in this specific index.

To observe the dynamic fluctuations of the variables over the three-year observation period, a visual trend analysis is essential. This allows for an assessment of whether fundamental internal changes are reflected in market price movements.

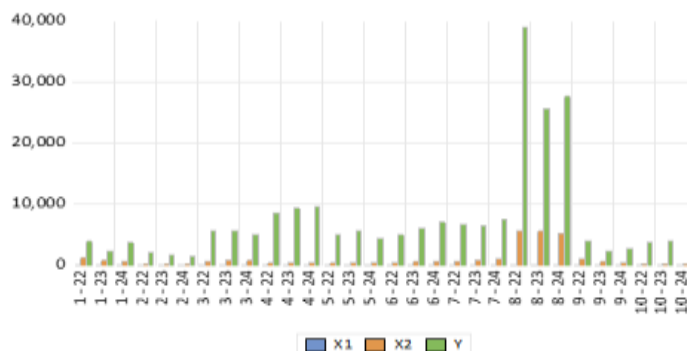


Figure 2. Bar Chart of Research Variables
Figure source: Processed Data using EViews (2026)

As depicted in Figure 2, there is a discernable pattern of fluctuation across the observation years. While the profitability indicators (ROA and EPS) demonstrate relative stability with a slight upward trend, the Stock Price (Y) exhibits more sensitive volatility. The peaks observed in certain periods suggest that investors in the High Dividend 20 index may react strongly to specific earnings announcements, indicating that market valuation in this segment is highly responsive to periodic financial disclosures rather than general long-term asset growth.

Following the selection of the Common Effect Model (CEM) as the most appropriate estimation method through the Chow, Hausman, and LM tests, the regression analysis was performed to quantify the relationship between the independent and dependent variables.

Table 2. Regression Results

Variable	Coefficient	t-Statistic	Prob.
Constant	4132.53	-	-
ROA	-27534.57	-4.881177	0.0009
EPS	5.52	75.64595	0.0000

| R-squared | 0.9129 |

| F-stat | 153.1085 |

| Prob(F) | 0.0000 |

Table Source: Processed Data (2026)

The regression results yield the following mathematical model:

$$\text{Stock Price} = 4132.53 - 27534.57(\text{ROA}) + 5.52(\text{EPS})$$

The R-squared value of 0.9129 indicates that 91.29% of the variance in stock prices within the IDX High Dividend 20 can be explained by changes in ROA and EPS. To substantiate the predictive validity of this model, a comparison between the actual market observations and the model's fitted values is presented below.

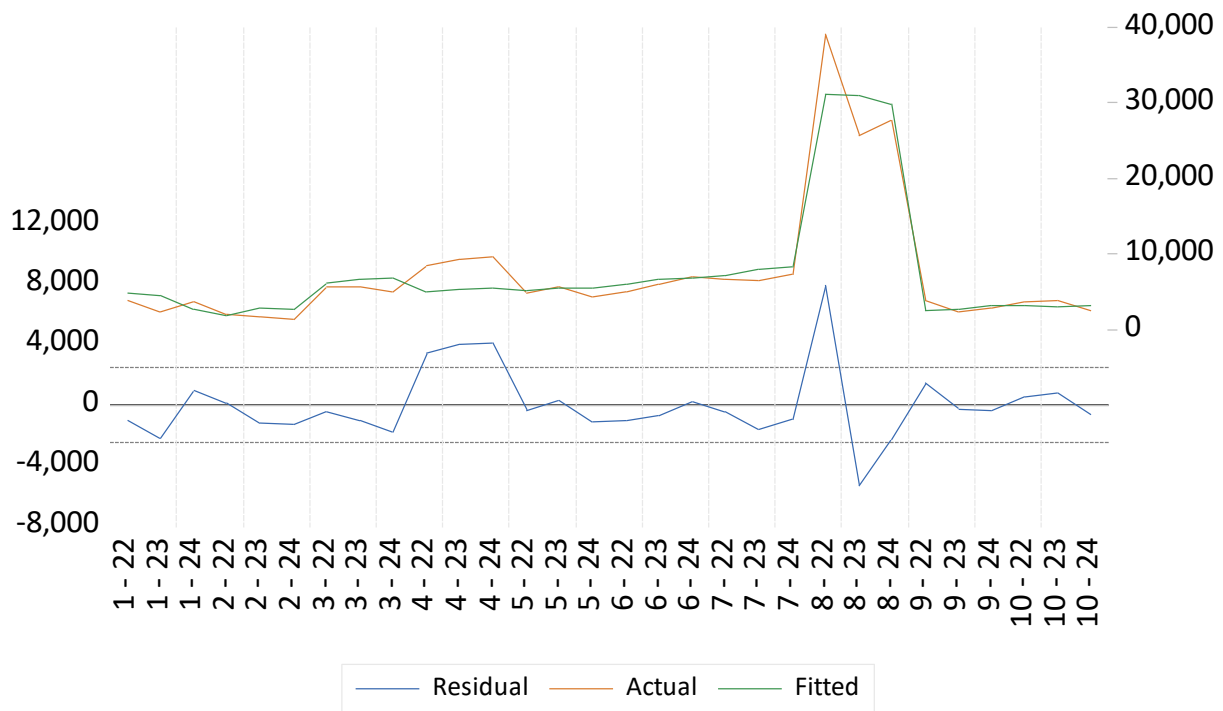


Figure 3. Actual vs. Fitted Values

Figure source: Processed Data using EViews (2026)

The visualization in Figure 3 confirms a high degree of convergence between the "Actual" data and the "Fitted" predictions. The synchronization of these two lines validates the model's robustness and demonstrates that the selected fundamental variables are indeed primary determinants of stock price fluctuations for these high-dividend firms.

The regression analysis yields a significant negative impact of ROA on stock prices ($p=0.0009$), a result that challenges conventional financial assumptions. This finding diverges significantly from the study by Samosir et al. (2024), who found that ROA consistently exerts a positive influence in the pharmaceutical sector. Similarly, it contradicts the results of Setiani & Suharti (2022), whose research in the mining subsector suggested that asset efficiency is a key driver for stock price appreciation.

The deviation between this study and the findings of that can be explained by the specific investment motives in the High Dividend 20 index. According to the investment theory described by Suratna et al. (2020), investors calculate risk and return based on their specific objectives. In this index, investors are predominantly "income seekers" who value cash liquidity. An increase in ROA often implies that a company is reinvesting its earnings back into its assets to fuel growth. For the yield-sensitive investors characteristic of this index, such reinvestment might be perceived as a potential reduction in the immediate dividend payout ratio. Consequently, while general sectors reward high ROA

as a growth signal, the high-dividend market reacts negatively, viewing it as a diversion of funds away from shareholders

In contrast to ROA, EPS shows a positive and highly significant impact on stock prices ($p=0.0000$). This result corroborates the findings of Simanjuntak et al. (2023), who identified EPS as a dominant factor in the valuation of LQ-45 companies, which share similar "blue-chip" characteristics with the High Dividend 20 index. Furthermore, this finding is consistent with Setiani & Suharti (2022), reinforcing the idea that "bottom-line" profit per share is a universal metric for investor confidence.

As argued by Tandelilin (2010) and supported by the empirical evidence in this study, EPS serves as a vital signal of a firm's financial health. For high-dividend firms, EPS is the most direct indicator of dividend sustainability. While Rizqi Nurul Aziza et al. (2021) found EPS to be insignificant in their broader market sample, this study proves that in a specialized income-focused index, EPS is the ultimate driver. This aligns with the perspective of Suratna et al. (2020) regarding market efficiency, where investors quickly incorporate earnings information into stock prices to secure potential dividend yields. The dominance of EPS confirms that for these investors, the result (earnings) is far more important than the process (asset turnover).

The stark contrast between the results of this study and those of Samosir et al. (2024) or Rizqi Nurul Aziza et al. (2021) highlights the critical importance of market segmentation. The simultaneous F-test ($p=0.0000$) underscores that ROA and EPS collectively define the valuation of high-dividend firms, albeit in different directions. The theoretical implication, as supported by the combined frameworks of Simanjuntak et al. (2023) and Tandelilin (2010) is that the "Signaling Theory" operates with higher intensity in dividend-paying stocks. For corporate managers, the focus must remain on maintaining stable and growing EPS to prevent market sell-offs. For future researchers, the findings suggest that the negative correlation of ROA is a "dividend-specific" anomaly that warrants further investigation into the trade-off between growth-oriented reinvestment and shareholder distribution.

CONCLUSION

This study concludes that for companies listed in the IDX High Dividend 20 for the 2022-2024 period, Earnings Per Share (EPS) is the primary determinant of stock price movements with a significant positive influence. Meanwhile, Return on Assets (ROA) shows a negative influence, indicating that asset-based profitability is not the main benchmark for investors in this specific stock group. This result is quite interesting, since it does not fully align with general expectations in financial theory. The implication of these findings is that investors are advised to prioritize EPS analysis in investment decision-making for high-dividend stocks and consistent dividend distribution. For companies, maintaining growth in earnings per share is crucial to maintaining stock market value. Future research

is suggested to add other variables such as the Dividend Payout Ratio (DPR) or macroeconomic factors to broaden the scope of analysis. However, it is important to note that this study only covers a specific group of companies within a limited period. Therefore, the results may not fully represent broader market conditions

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