Al-Kharaj: Journal of Islamic Economic and Business
Volume 8 (2), 2026
P-ISSN: 2686-262X; E-ISSN: 2685-9300

The Influence of Market Value and Leverage on IDX Manufacturing Share Prices 2019-2023

Maulidin T. Semma[1], Ni Made Suwitri Parwati[2], Andi Chairil Furqan[3]
[1]Universitas Tadulako, Indonesia
Email: maulidintsemma@gmail.com
maulidintsemma

Keywords:
Accountancy; Indonesia stock exchange; Leverage; Market value; Stock price

Abstract

This study aims to examine the effect of market value and leverage on stock prices of manufacturing companies listed on the Indonesia Stock Exchange during the 2019–2023 period. Market value is proxied by Earnings Per Share (EPS), while leverage is measured using the Debt to Equity Ratio (DER). This research employs a quantitative approach with a causal design and utilizes variance-based Structural Equation Modeling (SEM) through WarpPLS 7.0. The population consists of 219 manufacturing companies, with a sample of 74 firms selected using purposive sampling. The data used are secondary data derived from annual financial statements and year-end closing stock prices. The results indicate that market value, as measured by EPS, has a positive and significant effect on stock prices. This finding suggests that higher profitability per share increases investor interest, thereby driving stock price growth. In contrast, leverage, as proxied by DER, shows a positive but statistically insignificant effect on stock prices. This implies that the level of debt usage is not a primary determinant of stock price movements in manufacturing firms. This study highlights that investors tend to prioritize profitability signals over capital structure in making investment decisions. The findings are expected to provide insights for investors and corporate management in understanding fundamental factors influencing stock prices.

INTRODUCTION

The dynamics of stock prices in capital markets have long attracted significant attention from academics, investors, and policymakers, as they reflect not only firm performance but also broader economic conditions and investor sentiment. In an increasingly globalized financial environment, stock price movements are shaped by a combination of internal company fundamentals and external macroeconomic factors. Among the internal determinants, market value indicators and leverage levels are widely recognized as critical variables influencing investor decision-making and, ultimately, stock price fluctuations. Market value, often proxied by Earnings Per Share (EPS), represents a firm's ability to generate profit attributable to each outstanding share. EPS serves as a key performance indicator that signals profitability and future growth prospects to investors. A higher EPS generally indicates stronger earnings capacity, which tends to attract investor interest and increase demand for a firm's shares.

Consequently, this increased demand drives stock prices upward. Prior empirical studies suggest that EPS is one of the most influential financial ratios in explaining stock price variations, as it directly reflects the returns expected by shareholders. Investors often interpret consistent growth in EPS as a positive signal regarding managerial efficiency and firm sustainability, reinforcing confidence in the company's long-term prospects. On the other hand, leverage, commonly measured using the Debt-to-Equity Ratio (DER), reflects the extent to which a

company relies on debt financing relative to its equity. Leverage plays a dual role in financial management. While it can enhance profitability through the leverage effect, excessive reliance on debt increases financial risk and may negatively affect investor perception. A high DER indicates a greater burden of financial obligations, which may lead to higher default risk and earnings volatility.

As a result, investors may respond cautiously to firms with high leverage, potentially exerting downward pressure on stock prices. However, in certain contexts, leverage may also be perceived positively if it is associated with strategic expansion and efficient capital utilization, leading to mixed empirical findings in the literature. The relationship between market value, leverage, and stock prices becomes particularly relevant in emerging markets such as Indonesia, where capital market development continues to evolve. The Indonesian Stock Exchange (IDX) provides a platform for companies to raise capital and for investors to allocate resources efficiently. Within this context, the manufacturing sector plays a crucial role as one of the main pillars of the national economy. Manufacturing firms contribute significantly to gross domestic product (GDP), employment, and export activities.

Therefore, understanding the determinants of stock prices in this sector is essential for both theoretical and practical purposes. The period from 2019 to 2023 presents a unique context for examining stock price behavior, as it encompasses significant economic disruptions, particularly due to the COVID-19 pandemic. The pandemic introduced unprecedented uncertainty into global and domestic markets, affecting production, supply chains, and consumer demand. In Indonesia, manufacturing firms experienced a decline in operational performance, which was reflected in weakened financial indicators and declining stock prices. The IDX also implemented adjustments to trading hours and regulations during this period, which were perceived by investors as signals of market instability. These conditions highlight the importance of analyzing firm-specific factors, such as EPS and DER, to understand their role in shaping stock price movements during periods of economic turbulence. From a theoretical perspective, this study is grounded in signaling theory, which posits that managers convey information about a firm's condition through financial reports and disclosures.

Investors, as recipients of these signals, interpret the information to make investment decisions. EPS and DER serve as important signals in this framework. A high EPS signals strong profitability and growth potential, while DER provides insight into financial risk and capital structure. The way investors interpret these signals influences their trading behavior, which in turn affects stock prices. Therefore, examining the impact of EPS and DER on stock prices contributes to a deeper understanding of how financial information is translated into market valuation. Despite extensive research on the relationship between financial ratios and stock prices, empirical findings remain inconsistent. Some studies report a strong positive and significant effect of EPS on stock prices, while others highlight the dominant role of leverage or find insignificant relationships. These inconsistencies may be attributed to differences in research context, sample characteristics, time periods, and analytical methods.

In particular, many previous studies rely on traditional regression techniques, which may not fully capture the complex and potentially nonlinear relationships among variables. To address these gaps, this study adopts a more advanced analytical approach by employing Structural Equation Modeling (SEM) based on variance, specifically using WarpPLS. This method allows for the simultaneous analysis of multiple relationships and is capable of capturing nonlinear effects, making it particularly suitable for financial data that often exhibit complexity and interdependence.

Additionally, this study focuses on a more recent period, incorporating the impact of the COVID-19 pandemic, thereby providing updated empirical evidence within a dynamic economic environment. The objective of this research is to examine the effect of market value, proxied by EPS, and leverage, proxied by DER, on stock prices of manufacturing companies listed on the Indonesia Stock Exchange during the 2019–2023 period. By focusing on this sector and timeframe, the study aims to provide a comprehensive analysis of how profitability and capital structure influence stock valuation under both normal and crisis conditions.

The significance of this study lies in its contributions to both theory and practice. From a theoretical standpoint, it enriches the literature on capital market behavior by integrating signaling theory with empirical analysis using a modern methodological approach. From a practical perspective, the findings are expected to provide valuable insights for investors in making informed investment decisions, particularly in evaluating fundamental indicators such as EPS and DER. Furthermore, the results may assist corporate managers in formulating financial strategies that enhance firm value and attract investor confidence. In summary, stock prices are influenced by a complex interplay of financial performance indicators and investor perceptions. Market value and leverage represent two fundamental aspects of this interplay, reflecting profitability and financial risk, respectively. By investigating their effects within the Indonesian manufacturing sector during a period of economic uncertainty, this study seeks to offer a more nuanced understanding of stock price determinants and contribute to the development of more robust financial decision-making frameworks.

METHODS

Research Design

This study employs a quantitative explanatory approach using a causal research design to examine the effect of market value and leverage on stock price movements in manufacturing companies in Indonesia. The research is structured to test the relationships among variables through inferential statistical analysis, utilizing Structural Equation Modeling (SEM) with a variance-based approach (Partial Least Squares-SEM) implemented WarpPLS version 7.0. This approach is selected due to its robustness in analyzing complex relationships among variables, including the ability to model simultaneous relationships and handle non-normal data distributions. Furthermore, variance-based SEM is considered appropriate for studies with relatively moderate sample sizes and predictive research objectives.

Population and Sample

The population of this study consists of all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. Companies included in the population are those consistently listed over five consecutive years to ensure data continuity and comparability. The sample was determined using a purposive sampling technique, based on specific inclusion criteria to ensure data completeness and relevance. The sampling criteria are presented in Table 1.

Table 1. Sample Selection Criteria

No	Sample Selection Criteria	Number
1	Manufacturing companies listed on the Indonesia Stock Exchange (2019–2023)	219

2	Companies with incomplete year-end stock price data during 2019–2023	(2)
3	Companies that did not consistently publish annual financial reports (2019–2023)	(51)
4	Companies with negative retained earnings during the observation period (2019–2023)	(92)
	Total Sample	74

Source: Indonesia Stock Exchange (IDX) official website (www.idx.co.id), 2025

Based on these criteria, the final sample consists of 74 manufacturing companies, which serve as the unit of analysis in this study.

Data Collection

This study relies exclusively on secondary data collected באמצעות documentation methods. The data include audited annual financial statements, company annual reports, and yearly stock price data. Data sources include the official IDX website as well as reputable financial platforms such as Investing.com and TradingView. No primary data collection methods (e.g., interviews, surveys, or observations) were employed, as the study focuses entirely on quantitative financial data.

Operational Definition of Variables

This study includes three main variables: market value (independent), leverage (independent), and stock price (dependent).

1. Market Value (EPS)
   Market value is proxied by Earnings Per Share (EPS), calculated as net income divided by the number of outstanding shares. EPS reflects the profit earned per share and serves as a key indicator of company profitability and performance. It is widely used by investors to evaluate financial performance and future earning potential, thereby influencing investment decisions.
2. Leverage (DER)
   Leverage is measured using the Debt-to-Equity Ratio (DER), calculated as total liabilities divided by total equity. This ratio indicates the extent to which a company relies on debt financing relative to its own capital. A higher DER reflects greater financial risk due to increased dependence on external funding, which may influence investor perception and firm valuation.
3. Stock Price
   The dependent variable, stock price, is measured using the annual closing stock price. This measure reflects the market's overall valuation of the company, incorporating expectations about future performance, financial condition, and macroeconomic influences. The use of year-end closing prices helps minimize short-term volatility bias and provides a more stable representation of firm value.

Data Analysis Technique

The data analysis procedure consists of two main stages:

1. Descriptive Statistics

Descriptive analysis is conducted to summarize the characteristics of the data, including mean, minimum, maximum, and standard deviation values for each variable.

2. Structural Equation Modeling (SEM)
   The second stage involves hypothesis testing using variance-based SEM (PLS-SEM) with WarpPLS 7.0. This method is chosen due to its ability to analyze complex relationships simultaneously and its flexibility in handling small sample sizes and non-normal data distributions.

The level of significance is set at $p < 0.05$.

To ensure the robustness of the measurement model, the following criteria are applied:

- Convergent validity: evaluated Average Variance Extracted (AVE > 0.50)
- Reliability: assessed Composite Reliability (CR > 0.70)
- Indicator reliability: outer loadings > 0.70

Model Evaluation Criteria

The goodness-of-fit of the model is assessed using WarpPLS-specific indices, including:

- Average Path Coefficient (APC)
- Average R-squared (ARS)
- Average Variance Inflation Factor (AVIF)

Additionally, the R-squared (R^2) value is used to evaluate the explanatory power of the independent variables in explaining variations in the dependent variable. These indicators collectively determine whether the proposed model is statistically adequate and theoretically meaningful.

RESULTS AND DISCUSSION

3.1 Results

This section presents the results of data analysis concerning the relationship between market value, leverage, and stock prices. It constitutes the core of the study, as it reports the outcomes of hypothesis testing. The analysis was conducted using a quantitative approach supported by statistical software to examine relationships among variables and assess the extent to which each independent variable influences the dependent variable. The analytical procedure includes model fit evaluation, construct validity and reliability assessment, and hypothesis testing. These stages are presented systematically to ensure clarity and comprehensiveness.

3.1.1 Model Fit Evaluation

Model fit represents a crucial initial stage to assess how well the proposed model explains the observed data. Several indicators were employed to evaluate the overall quality of the model.

Table 2. Model Fit and Quality Indices

Model Fit and Quality Indices	Index	P-Value	Criteria	Description
Average Path Coefficient (APC)	0.436	0.001	P < 0.05	Significant
Average R-squared (ARS)	0.664	0.001	P < 0.05	Good

Average Adjusted R-squared (AARS)	0.662	0.001	P < 0.05	Stable
Average Block VIF (AVIF)	1.017	≤ 5 (ideally ≤ 3.3)	No multicollinearity	
Average Full Collinearity VIF (AFVIF)	1.829	≤ 5 (ideally ≤ 3.3)	No multicollinearity	
Tenenhaus GoF	0.815	Small ≥ 0.1; Medium ≥ 0.25; Large ≥ 0.36	Large	
Simpson's Paradox Ratio (SPR)	1.000	≥ 0.7 (ideal = 1)	Excellent	
R-squared Contribution Ratio (RSCR)	1.000	≥ 0.9 (ideal = 1)	Excellent	
Statistical Suppression Ratio (SSR)	1.000	≥ 0.7	Excellent	
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)	1.000	≥ 0.7	Excellent	

Source: WarpPLS 7.0, Processed Data (2025)

The model evaluation indicates a high level of fit, confirming its suitability for further analysis. The APC value of 0.436 ($p < 0.001$) suggests statistically significant relationships among variables with moderate effect strength. The ARS value of 0.664 shows that the model explains 66.4% of the variance in the dependent variable, indicating strong predictive power. Similarly, the AARS value of 0.662 confirms that model stability is maintained after adjustment for model complexity. The AVIF (1.017) and AFVIF (1.829) values indicate no multicollinearity issues, as both are well below the acceptable threshold. The GoF value of 0.815 demonstrates excellent overall model fit. Furthermore, SPR, RSCR, SSR, and NLBCDR values all equal 1.000, confirming the absence of Simpson's paradox, suppression effects, and causal direction inconsistencies. Overall, the model exhibits excellent quality and reliability.

3.1.2 Reliability and Validity Indices

Table 3. Latent Variable Coefficients

	EPS	DER	HS
Composite Reliability	1.000	1.000	1.000
Cronbach's Alpha	1.000	1.000	1.000
Average Variance Extracted (AVE)	1.000	1.000	1.000

Source: WarpPLS 7.0, Processed Data (2025)

Table 3 summarizes the reliability and validity measures for all latent variables in the model, namely EPS, DER, and HS. The Composite Reliability and Cronbach's Alpha values of 1.000 indicate perfect internal consistency among measurement indicators. Similarly, the Average Variance Extracted (AVE) values of 1.000 confirm excellent convergent validity, suggesting that each construct explains its indicators with high precision. These results demonstrate that the measurement model is highly reliable and valid. However, such perfect values may also indicate that each latent variable is represented by a single indicator, which simplifies measurement but may limit construct depth.

3.1.3 Latent Variable Coefficients

Table 4. Latent Variable Coefficients

EPS	DER	HS
R-squared		0.664
Adjusted R-squared		0.662

Source: WarpPLS 7.0, Processed Data (2025)

Table 4 presents the coefficient of determination (R-squared) and adjusted R-squared values for the dependent variable. The R-squared value of 0.664 indicates that 66.4% of the variation in stock prices can be explained by the independent variables included in the model, namely EPS and DER. This suggests a strong explanatory capacity. The Adjusted R-squared value of 0.662 further confirms that the model remains stable after adjusting for the number of predictors. The minimal difference between R-squared and Adjusted R-squared indicates that the model is not overfitted and maintains a good balance between complexity and explanatory power.

3.1.4 Hypothesis Testing

Table 5. Hypothesis Testing Results

Hypothesis	Test Result	Decision	Supporting Studies
H1: EPS positively affects stock price	Significant, total effect = 0.803	Accepted	Agustami & Syahida (2019); Wibowo et al. (2017)
H2: DER positively affects stock price	Not significant, total effect = 0.070	Rejected	Pasha & Ramzan (2019); Sa'diyah et al. (2019)

Source: WarpPLS 7.0

Table 5 presents the results of hypothesis testing examining the effects of EPS and DER on stock prices. The findings show that EPS has a significant positive effect on stock prices, with a total effect value of 0.803, leading to the acceptance of Hypothesis 1. This indicates that profitability plays a major role in influencing investor decisions. In contrast, DER shows a positive but statistically insignificant effect (0.070), leading to the rejection of Hypothesis 2. This suggests that leverage is not a key determinant of stock price movements in this context, aligning with prior studies that emphasize earnings over capital structure.

3.1.5 Causality Assessment

Table 6. Path-Correlation Signs

	EPS	DER	HS
HS	1	1	

Source: WarpPLS 7.0

Table 6 displays the directional relationships between the independent variables (EPS and DER) and the dependent variable (HS). The results indicate that both EPS and DER have positive path directions toward stock prices. This means that increases in EPS and DER are associated

with increases in stock prices at the directional level. However, while both relationships are positive, only the EPS relationship is statistically significant based on previous results. Therefore, this table confirms the theoretical expectation of positive relationships but also highlights the importance of evaluating statistical significance to determine the strength and relevance of these effects.

3.1.6 R-squared Contributions

Table 7. R-squared Contributions

	EPS	DER	HS
HS	0.652	0.012	

Source: WarpPLS 7.0

Table 7 shows the contribution of each independent variable to the R-squared value of the dependent variable (HS). EPS contributes significantly with a value of 0.652, indicating that it plays a dominant role in explaining variations in stock prices. In contrast, DER contributes only 0.012, which is negligible. This disparity highlights that profitability (EPS) is far more influential than leverage (DER) in determining stock price movements. The results reinforce the idea that investors prioritize earnings performance over financial structure when evaluating company value in the market.

3.1.7 Path Coefficients and P-values

Table 8. Path Coefficients

	EPS	DER	HS
HS	0.803	0.070	

Table 9. P-values

	EPS	DER	HS
HS	<0.001	0.087	

Tables 8 and 9 present the path coefficients and their corresponding significance levels. The relationship between EPS and stock price is strong and statistically significant, with a coefficient of 0.803 and p-value < 0.001. This indicates a robust positive influence of EPS on stock prices. Conversely, the relationship between DER and stock price is weak (0.070) and not statistically significant (p = 0.087), suggesting limited influence. These findings confirm that profitability is a key determinant of stock price, while leverage does not significantly affect investor valuation decisions in this study.

Table 10. Standard Errors

	EPS	DER	HS
HS	0.046	0.051	

Table 10 reports the standard errors associated with the estimated path coefficients. The standard error for the EPS → HS relationship is 0.046, while for DER → HS it is 0.051. These relatively small values indicate that the parameter estimates are precise and reliable. Lower standard

errors suggest that the estimated coefficients are close to the true population values, increasing confidence in the results. Despite the reliability of both estimates, only the EPS relationship is statistically significant, highlighting that precision alone does not determine significance without sufficient effect magnitude.

Table 11. Effect Sizes

	EPS	DER	HS
HS	0.652	0.012	

Table 11 presents the effect size of each independent variable on the dependent variable. EPS has a large effect size of 0.652, indicating a strong practical influence on stock prices. In contrast, DER has a very small effect size of 0.012, suggesting minimal practical impact. Effect size analysis complements statistical significance by showing the magnitude of influence. These results reinforce the conclusion that EPS is a key driver of stock price changes, while DER has little to no meaningful effect in this context.

Table 12. Total Effects

	EPS	DER	HS
HS	0.803	0.070	

Table 12 shows the total effects of the independent variables on stock prices, including both direct and indirect effects. EPS has a strong total effect of 0.803, confirming its dominant role in influencing stock prices. On the other hand, DER has a weak total effect of 0.070, indicating limited influence. Since the model does not involve mediating variables, the total effects largely reflect direct relationships. These findings further support the conclusion that profitability is a critical factor in determining stock prices, while leverage plays a minor role.

Table 13. Correlations

	EPS	DER	HS
EPS	(1.000)	-0.019	0.737
DER	-0.019	(1.000)	0.087
HS	0.737	0.087	(1.000)

Table 13 presents the correlation matrix among latent variables. The correlation between EPS and stock prices is strong (0.737) and statistically significant, indicating a close relationship. In contrast, the correlation between DER and stock prices is weak (0.087) and not significant, suggesting minimal association. Additionally, EPS and DER show a near-zero correlation (-0.019), indicating independence between profitability and leverage in this dataset. These results support previous findings that EPS is a primary determinant of stock price, while DER does not significantly influence market valuation.

3.2 DISCUSSION

The Effect of Market Value on Stock Prices

Market value represents the degree to which investors appreciate a firm, often reflected in their willingness to pay a price exceeding its book value. In this study, market value is proxied by

Earnings Per Share (EPS), which captures the firm's ability to generate net income per outstanding share. EPS is widely regarded as a central profitability indicator, as it directly reflects the economic return available to shareholders and serves as a primary benchmark for evaluating corporate performance. The empirical findings demonstrate that EPS has a strong and statistically significant positive effect on stock prices. The significance level ($p < 0.001$) confirms that the relationship is robust at the 5% significance threshold. Moreover, the total effect coefficient of 0.803 indicates a substantial magnitude of influence, suggesting that EPS is a dominant determinant of stock price movements. This implies that firms with higher profitability, as reflected in EPS, tend to experience higher stock valuations in the market.

From a theoretical perspective, these findings strongly support signaling theory. According to this framework, financial information disclosed by firms serves as a signal to investors regarding future performance prospects. A high EPS conveys positive signals about the firm's profitability, operational efficiency, and growth potential, thereby reducing information asymmetry between managers and investors. As a result, investors respond by increasing demand for the firm's shares, which ultimately drives up stock prices. In addition, the findings align with the efficient market hypothesis (EMH), particularly in its semi-strong form, which posits that publicly available financial information is quickly incorporated into stock prices. EPS, as a widely disclosed and easily interpretable metric, becomes a critical input for investor decision-making. Consequently, any improvement in EPS is rapidly reflected in the firm's market valuation.

The results of this study are also consistent with prior empirical research. Several studies have documented a significant positive relationship between EPS and stock prices, emphasizing the role of profitability as a key driver of investor behavior. This consistency across studies reinforces the robustness of EPS as a fundamental indicator in capital market analysis. However, it is important to note that while EPS is a powerful explanatory variable, it does not capture all dimensions of firm performance. Factors such as growth opportunities, macroeconomic conditions, and investor sentiment may also influence stock prices. Nevertheless, within the context of this study, EPS emerges as the most influential factor, highlighting the central role of profitability in shaping market valuation.

The Effect of Leverage on Stock Prices

Leverage, commonly measured using the Debt-to-Equity Ratio (DER), reflects the extent to which a firm relies on debt financing relative to equity. It serves as an indicator of financial risk and capital structure, providing insights into the firm's ability to meet its long-term obligations. Theoretically, leverage can have both positive and negative implications. On one hand, debt financing can enhance firm value through tax shields and increased investment capacity. On the other hand, excessive leverage may increase financial distress risk, thereby discouraging investors. The findings of this study reveal that leverage has a positive but statistically insignificant effect on stock prices. The p-value of 0.087 exceeds the 5% significance threshold, indicating that the relationship is not statistically meaningful. Furthermore, the total effect value of 0.070 suggests that the magnitude of the effect is relatively weak. This implies that variations in leverage levels do not substantially influence stock price movements within the observed sample.

This result provides an interesting contrast to theoretical expectations. While traditional capital structure theories, such as the trade-off theory, suggest that optimal leverage can enhance firm value, the empirical evidence in this study indicates that leverage is not a primary concern for investors in this context. One possible explanation is that investors prioritize profitability over

financial structure when making investment decisions. In other words, as long as firms generate strong earnings, the level of debt becomes a secondary consideration. Another xplanation relates to market characteristics. In emerging markets, such as Indonesia, information asymmetry and varying levels of financial literacy among investors may lead to a stronger focus on easily observable indicators like EPS, rather than more complex measures such as DER. Additionally, investors may perceive debt differently depending on industry conditions and macroeconomic stability. For instance, if borrowing costs are relatively stable, higher leverage may not be viewed as excessively risky.

The findings are consistent with several prior studies that report a positive but insignificant relationship between leverage and stock prices. These studies suggest that while leverage may signal growth potential, its effect is often overshadowed by other factors, particularly profitability. Therefore, the insignificant impact of DER in this study reinforces the notion that leverage is not a dominant determinant of stock valuation in the manufacturing sector during the observed period. Despite its insignificance, the positive direction of the relationship should not be overlooked. It indicates that, under certain conditions, leverage may still contribute to firm value by enabling expansion and increasing earnings potential. However, the lack of statistical significance suggests that this effect is neither strong nor consistent enough to influence investor behavior in a meaningful way.

Overall Interpretation and Theoretical Contribution

The overall findings of this study highlight a clear distinction between the roles of profitability and capital structure in determining stock prices. EPS emerges as a highly significant and influential variable, while DER shows only a marginal and insignificant effect. This suggests that investors place greater emphasis on earnings performance than on financial leverage when evaluating firms. From a theoretical standpoint, the study contributes to the literature by reinforcing the relevance of signaling theory in explaining stock price behavior. The strong impact of EPS indicates that investors rely heavily on profitability signals when making investment decisions. At the same time, the weak influence of leverage suggests that capital structure theories may have limited explanatory power in certain market contexts, particularly in emerging economies.

The study also provides empirical support for the argument that not all financial indicators carry equal weight in investor decision-making. While leverage remains an important aspect of financial management, its impact on market valuation may be contingent on other factors, such as profitability, risk perception, and market conditions.

Practical Implications

From a practical perspective, the findings offer important insights for both corporate managers and investors. For managers, the results emphasize the importance of improving profitability, as reflected in EPS, to enhance firm value and attract investor interest. Strategies aimed at increasing earnings, such as operational efficiency and revenue growth, are likely to have a direct and significant impact on stock prices. For investors, the study highlights the importance of focusing on fundamental indicators, particularly EPS, when making investment decisions. While leverage should not be ignored, it may not be as critical as profitability in determining stock performance, especially in the context examined in this study.

CONCLUSION

4.1 Conclusion

This study examined the effects of market value and leverage on stock prices among manufacturing firms listed on the Indonesia Stock Exchange over the 2019–2023 period. The findings demonstrate that Earnings Per Share (EPS), as a proxy for market value, exerts a positive and statistically significant influence on stock prices. This result indicates that higher profitability, reflected in increased EPS, enhances investor confidence and stimulates demand for shares, ultimately driving stock prices upward. The evidence reinforces the central role of profitability as a key determinant in investors' valuation decisions and supports signaling theory, where financial performance serves as an important signal to the market.

Conversely, leverage, measured by the Debt-to-Equity Ratio (DER), was found to have a positive but statistically insignificant effect on stock prices. This suggests that variations in capital structure do not substantially influence stock price movements within the observed context. The result implies that investors in the manufacturing sector place greater emphasis on a firm's ability to generate earnings rather than its financing structure when making investment decisions. Despite these contributions, this study is subject to several limitations. First, it focuses exclusively on manufacturing firms, limiting the generalizability of findings to other sectors or broader market contexts. Second, the study period coincides with global economic uncertainty, including the COVID-19 pandemic, which may have affected market dynamics. Third, leverage was measured using a single proxy (DER), which may not fully capture the complexity of capital structure. Additionally, other potentially influential variables, such as firm size, liquidity, and macroeconomic conditions, were not included in the model.

4.2 Theoretical Implications

From a practical perspective, the findings suggest that investors should prioritize profitability indicators, particularly EPS, when evaluating investment opportunities in the manufacturing sector. For corporate management, the results highlight the importance of enhancing operational efficiency and profitability to strengthen firm value and attract investors. Meanwhile, regulators may benefit from understanding that fundamental financial performance plays a dominant role in stock price formation, which can inform policies aimed at improving market transparency and stability.

4.3 Recommendations for Future Research

Future research is encouraged to expand the scope by including multiple industry sectors and longer observation periods to improve generalizability. Incorporating additional financial indicators and control variables—such as firm size, liquidity, growth opportunities, and macroeconomic factors—would provide a more comprehensive understanding of stock price determinants. Moreover, applying alternative analytical approaches or combining different methodologies could offer deeper insights into the causal relationships among financial variables.

REFERENCE

Agustami, S., & Syahida, P. (2019). Pengaruh Nilai Pasar, Profitabilitas, dan Leverage terhadap Harga Saham (Studi pada Perusahaan Sektor Industri Barang Konsumsi yang Terdaftar di

Bursa Efek Indonesia (BEI) Periode 2013—2017). *Organum: Jurnal Saintifik Manajemen Dan Akuntansi*, *2*(2), 84–103. https://doi.org/10.35138/organum.v2i2.52

Ahmad, N., Mobarek, A., & Roni, N. N. (2021). Revisiting the impact of ESG on financial performance of FTSE350 UK firms: Static and dynamic panel data analysis. *Cogent Business and Management*, *8*(1). https://doi.org/10.1080/23311975.2021.1900500

Ali, K., Chisti, K. A., & Malik, I. A. (2022). Impact of Earnings Per Share on Stock Prices and Price to Earnings Ratio. *Journal of Economics and Business*, *5*(2), 147–152. https://doi.org/10.31014/aior.1992.05.02.421

Al-ZoubiA, A. M. (2023). COVID-19 PANDEMIC AND FINANCIAL PERFOAl-ZoubiA, A. M. (2023). COVID-19 PANDEMIC AND FINANCIAL PERFORMANCE. International Journal of Professional Business Review, January, 1–20.RMANCE. *International Journal of Professional Business Review*, (January), 1–20.

Bui, T. N., Nguyen, X. H., & Pham, K. T. (2023). The Effect of Capital Structure on Firm Value: A Study of Companies Listed on the Vietnamese Stock Market. *International Journal of Financial Studies*, *11*(3). https://doi.org/10.3390/ijfs11030100

Choi, J. H., Choi, S., Myers, L. A., & Ziebart, D. (2019). Financial Statement Comparability and the Informativeness of Stock Prices About Future Earnings. *Contemporary Accounting Research*, *36*(1), 389–417. https://doi.org/10.1111/1911-3846.12442

Datu, C. V., & Maredesa, D. (2017). PENGARUH KINERJA KEUANGAN TERHADAP HARGA SAHAM (Studi Pada Perusahaan Sub Sektor Makanan Dan Minuman Yang Terdaftar Di BEI. *Going Concern : Jurnal Riset Akuntansi*, *12*(2), 1233–1242.

Demerjian, P., Lewis-Western, M., & McVay, S. (2020). How Does Intentional Earnings Smoothing Vary With Managerial Ability? *Journal of Accounting, Auditing and Finance*, *35*(2), 406–437. https://doi.org/10.1177/0148558X17748405

Deng, X., & Cheng, X. (2019). Can ESG indices improve the enterprises' stock market performance?-An empirical study from China. *Sustainability (Switzerland)*, *11*(17). https://doi.org/10.3390/su11174765

Egam, G. E. Y., Ilat, V., & ... (2017). … Return on Asset (ROA), Return on Equity (ROE), Net Profit Margin (NPM), dan Earning Per Share (EPS) terhadap Harga Saham Perusahaan yang Tergabung dalam …. *Jurnal EMBA: Jurnal Riset* …, *5*(1), 105–114. https://ejournal.unsrat.ac.id/index.php/emba/article/view/15455

Gharaibeh, A. T., Saleh, M. H., Jawabreh, O., & Ali, B. J. A. (2022). An Empirical Study of the Relationship Between Earnings per Share, Net Income and Stock Price. *Applied Mathematics and Information Sciences*, *16*(5), 673–679. https://doi.org/10.18576/amis/160502

Gleißner, W., Günther, T., & Walkshäusl, C. (2022). Financial sustainability: measurement and empirical evidence. In *Journal of Business Economics* (Vol. 92, Number 3). Springer Berlin Heidelberg. https://doi.org/10.1007/s11573-022-01081-0

Gunarianto, Puspitosarie, E., & Susilo, S. H. (2023). Company value analysis: Sales, assets, growth opportunities and leverage in LQ-45 companies (Indonesia Stock Exchange). *Investment Management and Financial Innovations*, *20*(4), 385–398. https://doi.org/10.21511/imfi.20(4).2023.31

Haritha, P. H., & Rishad, A. (2020). *S40854-020-00198-X.Pdf*.

Hu, Z., Zhao, Y., & Khushi, M. (2021). !!! Yhteenveto aikaisemmista artikkeleista + mse etc arvoista. *Applied System Innovation*, *4*(1), 9.

Investing.com. (n.d.). *Investing.com indonesia*. Retrieved January 7, 2026, from https://id.investing.com/

Ionescu, G. H., Firoiu, D., Pirvu, R., & Vilag, R. D. (2019). The impact of ESG factors on market value of companies from travel and tourism industry. *Technological and Economic Development of Economy*, *25*(5), 820–849. https://doi.org/10.3846/tede.2019.10294

Khan, M. T. I., Tan, S.-H., Chong, L.-L., & Goh, G. G. G. (2021). Investment environment, stock market perception and stock investments after stock market crash. *International Journal of Emerging Markets*, *18*(10), 3506–3527. https://doi.org/10.1108/IJOEM-03-2021-0456

Kock, N. (2015). *WarPLS 5.0 User Manual*.

Kock, N. (2021). *WarpPLS User Manual : Version 7 . 0 October 2021*.

Kontan. (2020). *Turun 43,53% sepanjang 2020, begini kinerja tujuh emiten sektor industri dasar*. Kontan.Co.Id. https://investasi.kontan.co.id/news/turun-4353-sepanjang-2020-begini-kinerja-tujuh-emiten-sektor-industri-dasar

Li, A. W., & Bastos, G. S. (2020). Stock market forecasting using deep learning and technical analysis: A systematic review. *IEEE Access*, *8*, 185232–185242. https://doi.org/10.1109/ACCESS.2020.3030226

Li, Y., & Pan, Y. (2022). A novel ensemble deep learning model for stock prediction based on stock prices and news. *International Journal of Data Science and Analytics*, *13*(2), 139–149. https://doi.org/10.1007/s41060-021-00279-9

Lim, H., & Rokhim, R. (2020). Factors affecting profitability of pharmaceutical company: an Indonesian evidence. *Journal of Economic Studies*, *48*(5), 981–995. https://doi.org/10.1108/JES-01-2020-0021

Mahirun, M., Jannati, A., Kushermanto, A., & Prasetiani, T. R. (2023). Impact of dividend policy on stock prices. *Acta Logistica*, *10*(2), 199–208. https://doi.org/10.22306/al.v10i2.375

Mensah, L., Bein, M. A., & Arhinful, R. (2025). The Impact of Capital Structure on Business Growth Under IFRS Adoption: Evidence From Firms Listed in the Frankfurt Stock Exchange. *SAGE Open*, *15*(2), 1–21. https://doi.org/10.1177/21582440251336533

Miralles-Quirós, M. M., Miralles-Quirós, J. L., & Redondo-Hernández, J. (2019). The impact of environmental, social, and governance performance on stock prices: Evidence from the banking industry. *Corporate Social Responsibility and Environmental Management*, *26*(6), 1446–1456. https://doi.org/https://doi.org/10.1002/csr.1759

Mussalamah, A. D. M., & Isa, M. (2015). Pengaruh Earning Per Share (EPS), Debt To Equity Ratio (DER) Dan Return On Equity (ROE) Terhadap Harga Saham (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2007-2011). *Jurnal Managemen Dan Bisnis*, *19*(2), 189–195. http://journals.ums.ac.id/index.php/benefit/article/view/2319/1581

Naveed, M., Ali, S., Iqbal, K., & Sohail, M. K. (2020). Role of financial and non-financial information in determining individual investor investment decision: a signaling perspective. *South Asian Journal of Business Studies*, *9*(2), 261–278. https://doi.org/10.1108/SAJBS-09-2019-0168

Nazir, A., Azam, M., & Khalid, M. U. (2021). Debt financing and firm performance: empirical evidence from the Pakistan Stock Exchange. *Asian Journal of Accounting Research*, *6*(3), 324–334. https://doi.org/10.1108/AJAR-03-2019-0019

Nowzohour, L., & Stracca, L. (2020). More Than a Feeling: Confidence, Uncertainty, and Macroeconomic Fluctuations. In *Journal of Economic Surveys* (Vol. 34, Number 4). https://doi.org/10.1111/joes.12354

Pasha, A., & Ramzan, M. (2019). Asymmetric impact of economic value-added dynamics on market value of stocks in Pakistan stock exchange, a new evidence from panel co-integration, FMOLS and DOLS. *Cogent Business and Management*, *6*(1). https://doi.org/10.1080/23311975.2019.1653544

Pham, H. S. T., & Nguyen, D. T. (2020). Debt financing and firm performance: The moderating role of board independence. *Journal of General Management*, *45*(3), 141–151. https://doi.org/10.1177/0306307019886829

Puni, A., & Anlesinya, A. (2020). Corporate governance mechanisms and firm performance in a developing country. *International Journal of Law and Management*, *62*(2), 147–169. https://doi.org/10.1108/IJLMA-03-2019-0076

Puspitaningtyas, Z. (2019). Empirical evidence of market reactions based on signaling theory in Indonesia Stock Exchange. *Investment Management and Financial Innovations*, *16*(2), 66–77. https://doi.org/10.21511/imfi.16(2).2019.06

Putri, A. D., Susilowati, D., & Moorcy, N. H. (2025). The Influence Of Liquidity , Solvency , Profitability , And Market Value On Share Prices Of Food And Beverage Sub-Sector Companies Pengaruh Likuiditas , Solvabilitas , Profitabilitas , Dan Nilai Pasar Terhadap Harga. *Management Studies and Entrepreneurship Journal*, *6*(1), 174–189.

Rheynaldi, P. K., Endri, E., Minanari, M., Ferranti, P. A., & Karyatun, S. (2023). Energy Price and Stock Return: Evidence of Energy Sector Companies in Indonesia. *International Journal of Energy Economics and Policy*, *13*(5), 31–36. https://doi.org/10.32479/ijeep.14544

Sa diyah, H., Ardian, D., & . H. (2019). Influence of Debt Equity Ratio (DER) and Profit Per Share (EPS) against Stock Prices on Property and Real Estate Sub Sector Companies Listed on the Indonesia Stock Exchange 2015. *South Asian Research Journal of Business and Management*, *01*(02), 67–71. https://doi.org/10.36346/sarjbm.2019.v01i02.005

Santosa, P. W., & Santoso, P. W. (2019). Does Exchange Rate Volatility cause Overreaction in the Capital Market? Evidence from Indonesia. *International Journal of Finance and Accounting*, *8*(3), 80–87. https://doi.org/10.5923/j.ijfa.20190803.02

Sarstedt, M., Ringle, C. M., & Hair, J. F. (2017). *Partial Least Squares Structural Equation Modeling*.

Senan, N. A. M., Ahmad, A., Anagreh, S., Tabash, M. I., & Al-Homaidi, E. A. (2021). An empirical analysis of financial leverage and financial performance: Empirical evidence from Indian listed firms. *Investment Management and Financial Innovations*, *18*(2), 322–334. https://doi.org/10.21511/imfi.18(2).2021.26

Shi, M., Zhang, Y., & Zhu, C. (2022). A Review of Factors Affecting Tesla's Profitability. *BCP Business & Management*, *26*, 18–24. https://doi.org/10.54691/bcpbm.v26i.1821

Spence, M. (1973). Job Market Signaling. *The Quarterly Journal Of Economics*, *87*(3), 355–374. https://doi.org/10.2307/1882010

TradingView. (n.d.). *TradingViewIndonesia*. Retrieved January 7, 2026, from https://id.tradingview.com/

Wang, L., Zhou, B., Liu, Y., & Chen, Y. (2025). Signal or pressure? Retail investor attention and MD&A quality. *Journal of Accounting Literature*, *47*(5), 388–415. https://doi.org/10.1108/JAL-06-2023-0110

Wibowo, E. S., Topowijono, & Sulasmiyat, S. (2017). Pengaruh Struktur Modal Dan Profitabilitas Terhadap Harga Saham Perusahaan (Studi Pada Perusahaan Tekstil Dan Garmen Yang Terdaftar Di BEI Periode 2012-2014). *Jurnal Administrasi Bisnis*, *44*(1), 164–170.

Zhang, L., Zhang, S., & Guo, Y. (2019). The effects of equity financing and debt financing on technological innovation: Evidence from developed countries. *Baltic Journal of Management*, *14*(4), 698–715. https://doi.org/10.1108/BJM-01-2019-0011