Journal of Studies in Academic, Humanities, Research and Innovation
Volume 2 No 2 December 2025
E-ISSN: 3089-7106
https://journal.as-salafiyah.id/index.php/sahri
sahrijournaleditor@gmail.com

The Influence Of EPS, ROE, And NPM On Stock Returns In Food And Beverage Sub-Sector Companies Listed On The Indonesia Stock Exchange

[1]Lintang Dwi Wulandari, [2]Burhanuddin, [3]Hety Budiyanti, [4]Nurman, [5]Annisa Paramaswari Aslam
[1,2,3,4,5]Universitas Negeri Makassar, Indonesia.
[1]*lintangdwiiiw@gmail.com*, [2]*burhanuddin@unm.ac.id*, [3]*hetybudiyanti@unm.ac.id*, [4]*nurman@unm.ac.id*, [5]*annisaparamaswariaslan@unm.ac.id*.

**Correspondence Email:* lintangdwiiiw@gmail.com

Abstract: *The food and beverage sector is a strategic sector that has a significant contribution to driving Indonesia's economic growth. However, in the 2019–2024 period, this sector experienced pressure due to high food inflation, rising raw material costs, and weakening public purchasing power which affected stock return fluctuations. (2) This condition is the background to this study which aims to examine the effect of Earning Per Share (EPS), Return on Equity (ROE), and Net Profit Margin (NPM) on stock returns in food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX). (3) This study uses a quantitative approach with a panel data regression analysis method processed using EViews 12 software, with a total sample of 18 companies during the 2019–2024 period. (4) The results of the analysis show that both partially and simultaneously, the EPS, ROE, and NPM variables do not have a significant effect on stock returns. This indicates that profitability performance has not been able to provide a positive signal for investors in assessing the potential for stock returns. (5) Thus, the results of this study do not support Signaling Theory and provide an indication that stock return movements in the food and beverage sub-sector are more influenced by external factors such as food inflation and macroeconomic conditions compared to the company's internal financial performance.*
Keywords: *Earning Per Share, Return On Equity, Net Profit Margin, Stock Returns, Signaling Theory.*

INTRODUCTION

The capital market is one of the main components in the modern economy which acts as a forum for companies to obtain long-term funds from investors (Harsono, 2018). Through this mechanism, companies can issue various financial instruments, such as stocks and bonds, to fund operational activities, business expansion, and strategic project development. The capital market also provides investors with the opportunity to invest their funds in a variety of investments with varying levels of risk and potential returns. The presence of the capital market is a crucial element in increasing the efficiency of resource allocation and strengthening national economic stability.

Without a capital market, public investment opportunities would be limited to the banking sector or real assets with low liquidity. This situation limits investors' flexibility in managing portfolios and optimizing returns. Therefore, the existence of a capital market opens up greater opportunities for the public to invest productively and contribute to national economic growth through stock trading (Jugiyanto, 2017).

Stocks are a form of investment in the capital market that offer investors the opportunity to profit, either from dividends or from the difference between the buying and selling price (capital gain). Investors use stock returns as a benchmark for assessing a company's performance and assessing its future investment potential (Zainorrahman, 2025). A company's financial performance is believed to influence stock returns because it indicates how well management manages resources to generate profits.

The food and beverage sector plays a crucial role in the Indonesian economy, contributing to manufacturing growth and food security. However, in the 2019–2024 period, this sector faced significant challenges due to high food inflation and fluctuating raw material prices. According to data from the Central Statistics Agency (2024), the food, beverage, and tobacco group experienced an annual inflation rate of 6.18% in May 2024, higher than the general inflation rate of 2.86%. Rising prices of raw materials such as rice, red chilies, and broiler chicken put pressure on companies' cost structures and profitability (Ministry of Trade of the Republic of Indonesia, 2024).

This phenomenon indicates a discrepancy between corporate financial performance and changes in stock returns in the food and beverage industry. Some companies posted consecutive losses for several years, yet their stock returns actually increased significantly. Conversely, companies that managed to post profits experienced declining stock returns. This raises questions about the extent to which financial performance indicators, particularly profitability ratios such as Earnings Per Share (EPS), Return on Equity (ROE), and Net Profit Margin (NPM), influence stock return movements in this subsector.

Signaling Theory, introduced by Spence (1973), is one theoretical approach that can be used to explain the relationship between stock returns and financial performance. This theory argues that financial information provided by a company serves as a signal to the market about future business conditions and prospects. Profitability ratios such as Earnings Per Share (EPS), Return on Equity (ROE), and Net Profit Margin (NPM) serve as measures of a company's ability to generate profits from both operational and financial perspectives (Brigham & Houston, 2019).

Journal of Studies in Academic, Humanities, Research and Innovation
Volume 2 No 2 December 2025
E-ISSN: 3089-7106
https://journal.as-salafiyah.id/index.php/sahri
sahrijournaleditor@gmail.com

However, previous studies show that the relationship between profitability ratios and stock returns is inconsistent. Nurmawati et al. (2022) and Zuhra et al. (2024) found that EPS and ROE had a significant positive effect on stock returns. found that EPS and ROE had a significant positive effect on stock returns. However, Laulita & Yanni (2022) found different results, where EPS had a significant negative effect on stock returns in LQ45 companies.

According to Signaling Theory, a high profitability ratio should benefit investors because it indicates management's effectiveness in generating profits. However, in the context of high food inflation, an increase in the profitability ratio may not necessarily be followed by an increase in stock returns if the profit margin is unable to compensate for rising production costs and declining consumer purchasing power. This situation indicates that the transmission mechanism from financial performance to stock returns becomes more complex when companies face significant external pressures.

Based on these findings, there is a strong indication that the influence of EPS, ROE, and NPM on stock returns requires further examination, particularly in industries vulnerable to commodity price volatility. However, few studies have comprehensively tested these three ratios simultaneously in the Indonesian food and beverage sector, particularly for the 2019-2024 period, which encompasses high food inflation and diverse economic dynamics.

METHOD

This study employs a quantitative method and an associative research design. A quantitative approach is used because it has the ability to evaluate relationships between variables through numerical data that can be measured and analyzed statistically. This study uses secondary data derived from the financial statements of companies in the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) during the period 2019–2024. The research design used is associative, with the aim of observing how stock returns, the dependent variable, are influenced by the independent variables Earnings Per Share (EPS), Return on Equity (ROE), and Net Profit Margin (NPM). To obtain empirical evidence on the relationship between stock returns and company profitability, the analysis process was carried out using EViews software for panel data regression.

RESULT AND DISCUSSION

The panel data used in this study includes 118 observations from 18 companies in the Food and Beverage subsector listed on the Indonesia Stock Exchange (IDX) during the period 2019–2024. Eviews 12 is a computer program used to process and analyze the data.

Descriptive Statistical Analysis

Stastistik	X1	X2	X3	Y
Mean	-437.6074	3.906667	-2.433333	5.609907
Median	-2.190000	-0.025000	-0.015000	-0.060000
Maximum	3137.740	1454.830	8.350000	610.1100
Minimum	-48232.41	-684.4900	-229.1500	-1.000000
Std. Dev.	4568.384	158.4726	22.33059	58.71348

Table 1. Descriptive Statistical Analysis

According to the results of descriptive statistical tests, variable X1 has an average of –437.6074 with high variation, indicating a tendency for low earnings per share performance. Variable X2 has an average of 3.906667 with a fairly large difference in profitability between companies. Variable X3 has an average of –2.433333 indicating still weak operational efficiency, while variable Y has an average of 5.609907 with high fluctuations during the 2019–2024 period.

T-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.709626	5.784557	0.987046	0.3259
X1	8.77E-05	0.001250	0.070186	0.9442
X2	-0.000388	0.036385	-0.010664	0.9915
X3	0.024585	0.260850	0.094250	0.9251

Table 2*. T-test*

According to the t-test results, the EPS variable (X1) shows a calculated t value of 0.070186 < t table 1.98259726 and a significance level of 0.9442 > 0.05, so it can be concluded that EPS does not affect stock returns. On the other hand, the ROE variable (X2) shows a calculated t value of 0.010664 < t table 1.98259726 and a significance level of 0.9915 > 0.05, indicating that ROE also does not affect stock returns.

F Square Test

R-squared	0.000156
Adjusted R-squared	-0.028686
S.E. of regression	59.54965

Sum squared resid	368800.7
Log likelihood	-592.5829
F-statistic	0.005406
Prob(F-statistic)	0.999449

Table 3. *F Square Test*

Based on the results of the F test, the calculated F value was 0.005406 < 2.691978638 with a significance value of 0.999449 > 0.05. The results indicate that, during the 2019–2024 period, the stock returns of companies in the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) were not significantly influenced by the variables Earning Per Share (EPS), Return on Equity (ROE), and Net Profit Margin (NPM) when used simultaneously. Therefore, the variation in stock return changes in the subsector cannot be explained by these three variables as a whole.

R Square Test

R-squared	0.000156
Adjusted R-squared	-0.028686
S.E. of regression	59.54965
Sum squared resid	368800.7
Log likelihood	-592.5829
F-statistic	0.005406
Prob(F-statistic)	0.999449

Table 4*. R Square Test*

The results of the coefficient of determination (R2) test show that the independent variables Earnings Per Share (EPS), Return on Equity (ROE), and Net Profit Margin (NPM) only explain 2.87% of the variation in stock returns. Other variables not included in this research model contribute 97.13%.

Discussion

This study examines the influence of Earnings Per Share (EPS), Return on Equity (ROE), and Net Profit Margin (NPM) on stock returns of food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period. The empirical findings indicate that EPS, ROE, and NPM do not have a statistically significant effect on stock returns, either partially or simultaneously. These results suggest that profitability indicators were unable to serve as effective explanatory variables for stock return movements within the observed period. This finding reflects a divergence between traditional financial theory and the actual behavior of stock returns in the Indonesian food and beverage industry during a period marked by high inflation and macroeconomic uncertainty.

From the perspective of Signaling Theory (Spence, 1973), profitability ratios are expected to convey positive information to investors regarding a firm's future prospects. Higher EPS signals increased earnings available to shareholders, ROE reflects management efficiency in utilizing equity, and NPM measures operational effectiveness in generating net income. However, the insignificant results observed in this study indicate that these signals were either not perceived as credible by investors or were overshadowed by stronger external factors. This outcome aligns with the argument that signaling mechanisms weaken during periods of economic instability, when external risks dominate investor decision-making (Brigham & Houston, 2019).

The descriptive statistics further support this interpretation. EPS and NPM exhibited negative mean values and high volatility, indicating unstable earnings performance across firms. Such volatility may reduce investor confidence in accounting-based indicators, as earnings become less predictable and less informative for future returns (Fama, 1970). In addition, the wide dispersion of ROE values suggests heterogeneous financial structures and risk profiles among firms, which may dilute the aggregate explanatory power of profitability ratios when analyzed collectively at the sectoral level.

The insignificance of EPS is consistent with several previous studies conducted in emerging markets, which found that earnings information does not always translate into stock returns due to market inefficiencies and information asymmetry (Laulita & Yanni, 2022; Nurmawati et al., 2022). In the food and beverage sector, earnings are highly sensitive to fluctuations in raw material prices, energy costs, and distribution expenses. During the 2019–2024 period, rising food inflation significantly increased production costs, thereby compressing profit margins and weakening the relevance of EPS as a stable indicator of firm performance (Central Statistics Agency, 2024).

Similarly, the absence of a significant relationship between ROE and stock returns suggests that investors did not prioritize equity efficiency when evaluating investment opportunities in this subsector. This may be explained by the fact that ROE can be artificially influenced by leverage decisions rather than genuine operational improvements (Ross et al., 2018). In periods of economic pressure, investors may perceive high ROE as a result of increased financial risk rather than superior managerial performance, leading to a muted response in stock returns.

The findings related to NPM also indicate that operational efficiency alone was insufficient to influence stock returns. Although NPM reflects a firm's ability to control costs relative to revenue, persistent inflation and supply chain disruptions may limit management's capacity to translate efficiency gains into sustainable profits. As a result, investors may discount NPM information and instead focus on broader macroeconomic indicators, such as inflation trends, exchange rates, and consumer purchasing power (Mishkin, 2019).

The very low coefficient of determination (R^2) further reinforces the argument that stock return movements in the food and beverage subsector are largely driven by factors outside the firm-level financial ratios examined in this study. External variables such as food inflation, commodity price volatility, government price controls, and monetary policy interventions likely played a dominant role in shaping investor expectations during the study period (World Bank, 2023). This finding is consistent with asset pricing theories that emphasize the importance of systematic risk factors in explaining stock returns (Fama & French, 2015).

Overall, the results of this study challenge the universal applicability of Signaling Theory in sectors that are highly exposed to macroeconomic shocks. While profitability ratios remain important indicators of internal performance, their influence on stock returns may diminish under conditions of economic stress. For practitioners, these findings imply that corporate strategies should extend beyond improving accounting performance to strengthening cost resilience, supply chain flexibility, and risk management. For investors, the results highlight the importance of incorporating macroeconomic analysis and sector-specific risks into investment decision-making. Future research should integrate external variables such as inflation rates, commodity price indices, and policy uncertainty to provide a more comprehensive explanation of stock return dynamics in the food and beverage industry.

CONCLUSION

This study investigates the influence of Earnings Per Share (EPS), Return on Equity (ROE), and Net Profit Margin (NPM) on stock returns of food and beverage sub-sector companies listed on the Indonesia Stock Exchange during the 2019–2024 period. The empirical findings demonstrate that, both partially and simultaneously, EPS, ROE, and NPM do not have a

Journal of Studies in Academic, Humanities, Research and Innovation
Volume 2 No 2 December 2025
E-ISSN: 3089-7106
https://journal.as-salafiyah.id/index.php/sahri
sahrijournaleditor@gmail.com

statistically significant effect on stock returns. These results indicate that profitability indicators, which theoretically should convey positive information regarding firm performance, were unable to function as effective signals for investors during the observed period. The descriptive and inferential analyses further reveal a weak explanatory power of the model, suggesting that variations in stock returns cannot be adequately explained by internal financial performance alone. Consequently, the results do not support Signaling Theory in the context of the food and beverage industry under conditions of high inflation and economic uncertainty.

The absence of a significant relationship between profitability ratios and stock returns implies that investor behavior in the food and beverage sub-sector is more strongly influenced by external macroeconomic factors than by company-specific financial indicators. High food inflation, rising raw material costs, fluctuating commodity prices, and declining consumer purchasing power appear to play a dominant role in shaping market expectations and investment decisions. These findings highlight the importance for companies to not only focus on improving profitability ratios but also strengthen cost efficiency, supply chain resilience, and pricing strategies to mitigate external pressures. For investors, the results emphasize the need to incorporate macroeconomic indicators, sectoral risks, and inflation dynamics into investment analysis rather than relying solely on accounting-based performance measures. Future research is encouraged to include external variables such as inflation rates, exchange rates, commodity price indices, and policy-related factors to provide a more comprehensive understanding of stock return determinants in the food and beverage industry. Expanding the scope of analysis and applying alternative econometric approaches may further enrich insights into the complex interaction between financial performance and market behavior.

REFERENCE

Brigham, E. F., & Houston, J. F. (2019). *Dasar-dasar manajemen keuangan*. Salemba Empat.

Central Statistics Agency. (2024). *Inflation statistics of Indonesia*. BPS Indonesia.

Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *Journal of Finance, 25*(2), 383–417. https://doi.org/10.2307/2325486

Harsono. (2018). *Pasar modal Indonesia*. Kencana (Grup Prenada Media).

Jogiyanto. (2017). *Teori portofolio dan analisis investasi* (11th ed.). BPFE.

Laulita, B. N., & Yanni, Y. (2022). Pengaruh ROA, ROE, DER, EPS, dan NPM terhadap return saham pada perusahaan yang terdaftar di indeks LQ45. *Journal of Management, 5*(1), 232–244. https://doi.org/10.37531/yume.vxix.467

Mishkin, F. S. (2019). *The economics of money, banking, and financial markets* (12th ed.). Pearson.

Nurmawati, A., & Irwansyah, F. D. (2022). Pengaruh Return on Asset, Debt to Equity Ratio, dan Earning Per Share terhadap return saham pada perusahaan LQ45 di Bursa Efek Indonesia periode 2017–2020. *KUKIMA: Kumpulan Karya Ilmiah Manajemen, 7*(3), 90–99. https://doi.org/10.54367/kukima.v1i2.2278

Ross, S. A., Westerfield, R. W., & Jordan, B. D. (2018). *Fundamentals of corporate finance* (11th ed.). McGraw-Hill Education.

Rudyansyah, F. A. Z., Widyastuti, T., & Sari, P. N. (2024). Pengaruh EPS, PER, ROE, dan DER terhadap return saham. *Inisiatif: Jurnal Ekonomi, Akuntansi dan Manajemen, 3*(4), 114–121. https://doi.org/10.30640/inisiatif.v3i4.3025

Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics, 87*(3), 355–374. https://doi.org/10.2307/1882010

World Bank. (2023). *Commodity markets outlook*. World Bank Publications.

Zainorrahman. (2025). Investor perceptions of stock market volatility. *Journal of Islamic Business and Management, 1*(2), 1–15.

Zainorrahman. (2025). Persepsi dan ekspektasi investor terhadap volatilitas IHSG akibat faktor ekonomi global: Studi interpretatif. *Jurnal Manajemen dan Bisnis Syariah, 1*(2).