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Do Earnings per Share and Dividend per Share Affect Stock Prices? Empirical Evidence from the Indonesian Pharmaceutical Sub-Sector (2020–2024)

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ABSTRACT

This study aims to examine the effect of Earnings per Share (EPS) and Dividend per Share (DPS) on stock prices of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The study applies a panel data regression approach to a sample of six pharmaceutical sub-sector companies selected through purposive sampling. Data analysis was conducted using EViews 13 software. The results indicate that Earnings per Share (EPS) does not have a significant effect on stock prices, with a significance level of 0.1655. Similarly, the test results for Dividend per Share (DPS) show no significant effect, with a significance level of 0.87. However, simultaneously, EPS and DPS have a significant effect on stock prices. These findings suggest that investor orientation in the pharmaceutical sub-sector is not solely based on observable financial performance indicators, as reflected by the insignificant individual effects of EPS and DPS.

Keywords: *Dividend, Earnings, Stock, Prices*

1. INTRODUCTION

The capital market is crucial for the national economy, acting as a financial resource for businesses and a means of investment for individuals. In Indonesia, the growth of the capital market has been encouraging, as evidenced by the steady rise in market capitalization. According to the Financial Services Authority [1], market capitalization rose from IDR 6,968. 94 trillion in 2020 to IDR 12,335. 83 trillion in 2024. This growth signifies an increase in investor trust regarding the economic outlook and the performance of firms listed on the Indonesia Stock Exchange (IDX).

According to the Theory Efficient Market Hypothesis (EMH) introduced by Fama in 1970, stock prices represent all the information that is currently accessible in the market. In a market that is functioning efficiently, any fresh information, regardless of whether it comes from within the company or from outside sources, will trigger a prompt reaction from investors that will be visible in the changes in stock prices. Factors within the company, highlighted in financial statements such as profit data and policies on dividends, act as crucial indicators for investors evaluating the company's future potential and worth.

Study indicates that stock prices are influenced by several factors, including earnings per share (EPS) and dividends per share (DPS) [2]. A commonly utilized measure of financial performance among investors is earnings per share (EPS), which shows how well a company can produce earnings for each share. A high EPS is seen as a sign of strong financial health and is likely to positively influence stock prices [3]. Additionally, the approach to dividends, expressed through dividends per share (DPS), is vital for making investment choices. DPS reflects the dividend amount given to investors for every share they own and is often viewed as a sign of a company's reliability and dedication to its shareholders.

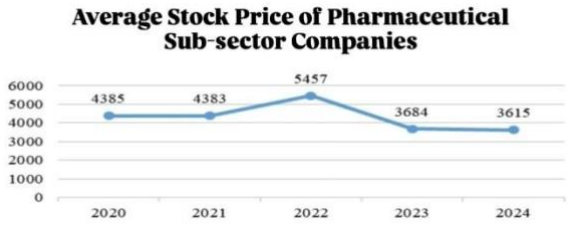


Figure 1 Average Stock Price of Pharmaceutical Companies 2020-2024 [4]

Companies in the pharmaceutical subsector have attracted significant investor interest, particularly

between 2020 and 2024. In 2022, this subsector experienced increased demand and significant stock price volatility, followed by a phase of adjustment and market changes following the pandemic. Data shows that the average share price of pharmaceutical companies increased significantly in 2022, but then declined in 2023 and 2024. This change reflects the dynamics of company performance and shifting investor expectations regarding the future of the pharmaceutical subsector.

However, earlier studies examining how EPS and DPS affect stock prices have yielded mixed results. Some research indicated that both EPS and DPS play an important role in impacting stock prices, whereas other studies found that neither of these factors had a meaningful effect. These differences reveal a gap in research that needs more investigation, especially within the pharmaceutical industry, which possesses unique business traits and market behaviors in contrast to other sectors.

This study intends to examine the impact of earnings per share (EPS) and dividend per share (DPS) on stock prices in pharmaceutical subsector companies listed on the Indonesia Stock Exchange between 2020 and 2024, based on empirical phenomena and discrepancies in earlier research findings. In addition to contributing empirically to the body of knowledge on capital markets, this research is anticipated to help investors and business management make financial policy and investment decisions.

2. LITERATURE REVIEW

1. Efficient Market Hypothesis

The Efficient Market Hypothesis, first introduced in [5], suggest that stock prices incorporate all available information relevant to securities traded in the market. An efficient capital market is defined by a quick process of price adjustment toward a new equilibrium in response to new information. This can be empirically evaluated through anomalous returns, which serve as a gauge of how investors respond to positive or negative news. According to [5], based on the collection of information reflected in prices, market efficiency is divided into 3 types: weak form efficiency, in which prices incorporate all historical information; semi-strong form efficiency, in which prices fully and instantly reflect all information available to the public; and strong form efficiency, in which prices incorporate all information, both public and private.

2. Stock Price

Stock prices are the current price of a stock in an active market or, when the market shuts, a price determined by the interaction of supply and demand [6]. The equilibrium point, also known as market value, is determined by the dynamic interactions between buyers and sellers in the competitive Indonesia Stock Exchange. According to [7], there are three types of stock prices in the capital market: high price, low price, and closing price.

3. Earnings per share (EPS)

The ability of a business to turn a profit from each share held is gauged by the EPS ratio. According to research by [8] and [9], the EPS ratio can be computed using the following formula:

$$EPS = \frac{Net\ Profit}{Number\ of\ Shares\ Outstanding}$$

4. Dividend per share (DPS)

DPS is a ratio that shows how much dividends are paid compared to the total number of shares outstanding in a given year. The following formula can be used to determine the DPS ratio, according to research [8] and [9]:

$$DPS = \frac{Amount\ of\ Dividend\ Distributed}{Number\ of\ Shares\ Outstanding}$$

5. The impact of earnings per share (EPS) on stock prices

According to the Efficient Market Hypothesis (EMH), a capital market is deemed efficient when stock prices incorporate all pertinent information about the stock. A study conducted by [10] indicated that a rise in the earnings per share (EPS) of pharmaceutical firms listed on the IDX correlates with an increase in their stock prices. A growing EPS is perceived as a favorable indicator of future business potential, leading to a boost in investor trust regarding the company's performance. This heightened confidence typically results in the market responding with greater demand for shares, which in turn contributes to an increase in stock prices.

6. The impact of dividend per share (DPS) on stock prices

According to the Efficient Market Hypothesis (EMH), a capital market is deemed effective when stock prices incorporate all existing information related to the stocks. In their study, [8] indicated that when companies pay dividends, it enhances investor trust since the dividends align with what investors anticipate, which in turn boosts stock prices. Regular payment of dividends signifies a strong cash flow within a company and shows its dedication to its shareholders. Additionally, dividends are perceived as a means to lower the financial risks faced by investors, as they provide immediate monetary returns. Consequently, when a company announces a higher dividend per share, its stock price tends to rise correspondingly.

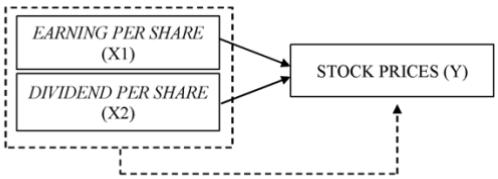


Figure 2 Conseptual Framework

3. METHOD

This study uses a quantitative approach with secondary data. Data were obtained from the annual financial reports of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024, accessed through the official IDX website (www.idx.co.id). The study population included

all infrastructure sector companies listed on the IDX during the observation period. The sample was selected using a purposive sampling method. The sample was determined through selection based on the consistency of financial report publication, profit recording during the observation period, and freedom from IDX suspension. The selection process resulted in 30 observations for analysis.

Table 1 Operational Definition of Variables

No	Variable	Indicator
1.	Harga Saham [9]	The average annual price has been converted from the average monthly price.
2.	*Earnings Per Share* [8]	EPS = Net profit / Number of shares outstanding
3.	Dividend Per Share [11]	DPS = Amount of dividends distributed / Number of shares outstanding

Data analysis was performed using panel data regression with the help of EViews 13 software. Estimation model selection was carried out using the Chow test, the Hausman test, and the Lagrange Multiplier test to determine the most appropriate model among the Common Effect Model, the Fixed Effect Model, and the Random Effect Model. Next, classical assumption tests were conducted, including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation to ensure model feasibility. Hypothesis testing was conducted at a 5 percent significance level.

4. FINDINGS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics are used to provide an overview of the characteristics of the research data, as presented in Table 2. The number of observations in this study is 30 data originating from 6 pharmaceutical sub-sector companies during the 2020–2024 period.

Table 2. Descriptive Statistical Analysis Test Results

	X1	X2	Y
Mean	128.117	87.226	1825.164
Median	122	55	1501.25
Maximum	401	320	4695.83
Minimum	7	7	415.75
Std. Dev.	105.576	81.714	1098.575
Observations	30	30	30

Source: Processed EViews 13 (2026)

The EPS variable has a minimum value of 7, a maximum value of 401, while the average EPS value is 128.11 with a standard deviation of 105.57. The DPS variable has a minimum value of 7, a maximum value of 320, while the average DPS value is 87.22 with a standard deviation of 81.71. The results of both variables show an average value higher than the standard deviation value, meaning that the EPS and DPS data in this study experienced low fluctuations.

Panel Data Regression Model Selection

Based on the results of the Chow test and the Hausman test which are determined based on probability values, the most appropriate model to use in this study is the Fixed Effect Model (FEM).

Classical Assumption Test

Classical assumption testing was conducted to ensure that the regression model used met the criteria for reliable estimation. A summary of the results of the classical assumption testing is presented in Table 3.

Table 3. Classical Assumption Test Results

Test	**Method**	**Decision Reference**	**Score Results**	**Information**
Normalitas	*Jarque–Bera*	Probabilitas > 0,05	0,981925	Data is normally distributed
Multikolinearitas	VIF	VIF < 10	X1= 8,689768 X2 = 8,689768	There is no multicollinearity
Heteroskedastisitas	*White Test*	Prob. Obs*R^2 > 0,05	0,1266	There is no heteroscedasticity
Autokorelasi	*Durbin–Watson*	DU<DW<4-DU	1,566 < 1,587 246 < 2,434	No autocorrelation occurs

Source: Processed EViews 13 (2026)

Panel Data Regression Test

Based on the regression results with the Fixed Effect Model (FEM), the results of the Panel Data Regression Model analysis in this study are as follows:

$$Y_{i,t} = \alpha_{i,t} + \beta_1 X_{1\,i,t-1} + \beta_2 X_{2\,i,t-1} + \varepsilon_{i,t}$$

$$Y_{i,t} = 1099.839_{i,t} + 5.149968_{i,t-1} + 0{,}751184_{i,t-1} + \varepsilon_{i,t}$$

A constant of 1099.839 means that if EPS and DPS are 0, then the stock price growth is 1099.839. The Earnings Per Share (EPS) coefficient is positive at 5.149968, meaning that for every 1 unit increase in EPS, the stock price will increase by 5.149968, assuming other variables remain constant. The Dividend Per Share (DPS) coefficient is positive at 0.751184, meaning that for every 1 unit increase in DPS, the stock price will increase by 0.751184, assuming other variables remain constant.

Hypothesis Testing

Based on the model testing conducted, the model used was the Fixed Effect Model. The following are the regression results using the Fixed Effect Model:

Table 4. Fixed Effect Model Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	5.149.968	3.589.719	1.434.644	0.1655
X2	0.751184	4.545.199	0.165270	0.8702
C	1.099.839	1.629.280	6.750.462	0.0000

Effects Specification	
R-squared	0.936
Adjusted R-squared	0.915
F-statistic	4.612.
Prob(F-statistic)	0.000

Source: Processed EViews 13 (2026)

The t-test results show that EPS has a probability value of 0.1655 > 0.05, so H_1 is rejected. Meanwhile, DPS has a probability value of 0.8702 > 0.05, so H_2 is rejected.

The F-test results show a probability value of 0.000000 < 0.05, meaning that EPS and DPS simultaneously have a significant effect on stock prices. Thus, H_3 is accepted.

The adjusted R-square value of 0.936212 indicates that the EPS and DPS variables are able to explain 93.62% of the variation in stock prices, while the remainder is explained by other variables outside the research model.

The impact of earnings per share (EPS) on stock prices

The estimation results show that EPS has no significant effect on stock prices. This finding indicates that investors do not automatically respond to a company's earnings per share by increasing demand for its shares, thus preventing an increase in stock prices on the stock exchange.

Within the Efficient Market Hypothesis (EMH) framework, particularly in weak-form efficient markets, published earnings information should be immediately reflected in stock prices. This implies that high stock prices are not solely determined by earnings per share or dividends, as investor decisions to invest are based more on price dynamics than on earnings per share and dividends [12]. Therefore, EPS information may not necessarily be the primary determinant in investment decision-making, particularly in the pharmaceutical sector during the study period. These findings align with research by [13] and [14], which found that EPS has no significant effect on stock prices.

The impact of dividend per share (DPS) on stock prices

The test results showed that the DPS had no significant effect on stock prices. This finding suggests that a high DPS may not be the primary basis for investors in making investment decisions, particularly in the pharmaceutical sector during the study period.

In the Efficient Market Hypothesis (EMH) theory, in a weak-form efficient market, the DPS is viewed as historical information reflected in current stock prices. Consistent dividend distributions represent healthy cash flow and a company's commitment to shareholders, but non-financial factors such as Environmental, Social, and Governance (ESG) are also perceived as positive information that can increase stock demand. ESG disclosures provide an indication of a company's commitment to transparency and accountability [15]. Research by [15] suggests that investors consider ESG in their investment decisions. This suggests that DPS information may not necessarily be the primary basis for investment decisions, particularly in the pharmaceutical sector during the study period, as the amount of dividends distributed is not strong enough to influence investor decisions [9]. This finding is in line with the research results of [9], [16], and [17] which stated that DPS does not have a significant effect on stock prices.

The impact of earnings per share (EPS) and dividend per share (DPS) on stock prices

Simultaneously, EPS and DPS significantly influenced stock prices. This demonstrates that EPS and DPS together played a role in increasing stock prices in pharmaceutical sub-sector companies during the study period. These findings align with research by [18], which found that EPS and DPS simultaneously significantly influenced stock prices.

5. CONCLUSIONS

Research on the influence of EPS and DPS on stock prices in pharmaceutical subsector companies on the Indonesia Stock Exchange (IDX) from 2020 to 2024 found that EPS had no significant effect on stock prices, indicating that changes in EPS do not directly affect stock price movements. Meanwhile, DPS had no significant effect on stock prices, indicating that the amount of dividends distributed is not yet a primary concern for investors when making investment decisions in the capital market. However, EPS and DPS simultaneously had a significant effect on stock prices, proving that EPS and DPS together played a role in increasing stock prices in pharmaceutical subsector companies during the study period.

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