Research Paper

THE VALUE RELEVANCE OF ACCOUNTING INFORMATION: PROFITABILITY AND NON-PUBLIC OWNERSHIP IN INVESTMENT DECISION MAKING

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ABSTRACT

Purpose – The purpose of this research to evaluate the relevance of accounting information, particularly Earnings per Share (EPS), Return on Assets (ROA), and Non-Public Ownership (NPO), in investment decision-making. The relevance of accounting information is observed when the information presented in financial statements can influence stock prices and therefore affect user decision-making.

Research Method – The research method used is quantitative method with a sample of 59 manufacturing companies from the basic and chemical industry sector. Data analysis was conducted using multiple linear regression techniques to measure the impact of these variables on stock prices.

Findings – The results of the study indicate that EPS and ROA have a significant influence on investment decisions, while Non-Public Ownership does not provide significant contributions.

Implication – The implications of these findings underscore the importance of considering fundamental factors such as EPS and ROA in the investment decision-making process, while also taking into account the risks associated with Non-Public Ownership that can affect the relevance of financial statements.

Keywords: Earnings Per Share, Investment Decisions, Non-Public Ownership, ROA.

JEL code: G11

INTRODUCTION

Financial statements are accounting information products that provide explanations related to the performance and financial condition of a company during a specific period. Financial statements serve as a tool for users of accounting information, including internal users (management, employees, and owners), external users (investors, creditors, and government agencies) to oversee a company's activities, detect early warning signs of potential bankruptcy, create a consolidated database for state statistical surveys, and generate macroeconomic indicators useful for taxation and various other purposes (Osadchy et al., 2018). Accounting information presented to users of financial statements, especially investors, must meet four qualitative characteristics criteria, namely understandability, relevance, reliability, and comparability (IAI, 2016). Therefore, the preparation of financial statements by entities must have the capacity to produce quality information that is beneficial to users of financial statements that meets the qualitative characteristics of information (Tambingon et al., 2018).

Financial statements produce high-quality information that can be used in decision-making if present relevant and reliable information (Siswanti & Rizani, 2017). Financial statement information can be considered relevant if it can influence the decision-making process of financial statement users. The relevance of accounting information can be interpreted as the ability to elucidate a company's worth using accounting data. This relevance is empirically linked to the stock market value, as accounting information is statistically related to the stock market value (J. Rahman & Liu, 2021). The value relevance of accounting information is a measure of how well the financial statements reflect the company's true financial position and performance, which in turn affects the stock market value (Harnovinsah & Alamsyah, 2017). In publicly traded companies, management recognizes the vital role of financial statements in maintaining the company's image, especially for capital market participants or investors (Permana, 2015). Based on signal theory, companies use financial statements to provide relevant and reliable information to stakeholders, including investors, to make better investment decisions (Hamrouni et al., 2015).

In Indonesia, several phenomena related to financial report manipulation have occurred. Manipulation in financial reports is evidence of the failure of financial reports to meet the information needs of financial statement users. In 2020, Waskita Karya, recorded a discrepancy in net profit of around Rp400 billion. Additionally, there was a revelation of fictitious subcontractor projects carried out by PT Waskita Karya. These discrepancies in recording were later discovered by the company's director. In the presented financial report, there was an error where revenue that should have been recorded as next year's profit was instead recorded as the previous year's profit (Harjanto, 2020). Another case occurred at PT Garuda Indonesia, where the financial report for 2018 revealed that PT Garuda Indonesia recorded a net profit of US$ 809.4 thousand. This was unexpected as PT Garuda Indonesia Tbk. had experienced losses in recent years. In the first nine months of 2018, PT Garuda incurred losses of US$ 114.08 million. However, PT Garuda Indonesia Tbk announced a profit instead of a loss at the end of 2018. This increase in profit was due to the recognition of cooperation between PT Garuda and PT Mahata Aero as revenue by management, even though PT Mahata Aero had not yet paid its debt to the company (Pratiwi, 2019).

These incidents indicate that PT Waskita Karya and PT Garuda Indonesia did not accurately report their financial statements, resulting in public distrust and a decline in the company's stock prices. Previous research has indicated that financial report manipulation occurs because management strives to maintain the company's credibility in the eyes of financial statement users with the goal of preserving the company's competitiveness (Cahyo et al., 2022). This often drives management to manipulate financial statements to give the impression that the company is continuously growing. However, such financial report manipulation renders the presented financial statements inaccurate and therefore irrelevant for decision-making purposes.

From several instances of financial statement manipulation by companies, investors must conduct in-depth and accurate analysis regarding the accounting information presented before making

investment decisions. Fundamental analysis, as described by (Jogiyanto, 2016), is a method used to measure the intrinsic value of stocks by utilizing a company's financial data.

Financial ratio analysis can be used to forecast a company's stock value. Earnings Per Share (EPS) is considered a crucial accounting indicator for assessing risk, entity performance, and company success. EPS is a calculation that allocates the earnings generated to each outstanding share of stock (Brigham & Houston, 2014). With EPS, investors can evaluate the amount of profit for each share they own (Dika & Pasaribu, 2020).

In addition to using the Earnings per Share Ratio, Return on Assets (ROA) is a widely used ratio to measure profitability and is often used as a metric in evaluating company performance (Ben Aissa & Goaied, 2016). Return on Assets, or ROA, depicts a company's financial performance by measuring the efficiency of its asset utilization in generating profit over a one-year period (Diaz & Pandey, 2019). A higher ROA value indicates better performance because it shows that the company has increased the profit obtained from managing its assets.

Majority ownership of shares by large investors in a listed company has the potential to influence stock price changes with certain speculations for personal gain and to generate profit without risk (Jarrow, 1992). The Indonesia Stock Exchange, as the regulator of the stock market, has issued Regulation No. Kep-00101/BEI/12-2021 with the aim of ensuring the fulfilment of rights for every investor and protecting the rights of retail investors (small capital) from speculative behaviour by large investors (big capital) that may harm small investors by controlling stock prices. According to this regulation, every company listed on the stock exchange must have a percentage of shares that can be traded in the secondary market equivalent to 7.5% of the total shares issued.

Compared to other countries, Indonesia has a lower free float of publicly traded shares (Mutiara, 2019). In the China Stock Exchange, the prevailing requirement mandates that companies issuing shares must have a free float of 25% (The China Stock Exchange – IPO Overview, 2013). Bursa Malaysia also enforces a similar regulation, requiring issuers to have a free float exceeding 15% (Fang & Ravi, 2022). Meanwhile, in the Istanbul Stock Exchange, regulations stipulate that issuers must have over 20% free float shares tradable by the public (BIST Stock Indices Ground Rules, 2018). Both the Indian Stock Exchange and the London Stock Exchange require issuers to have a free float percentage of 25% (FTSE Russell, 2023; OECD, 2020). Free float refers to the total number of shares that are available for trading by the public. A larger free float indicates that there are more shares accessible for transactions by public investors in the stock market. A large free float ratio will result in increased price return values, less price volatility, and increased transaction activity or liquidity (Viratama et al., 2022). For tiny capital market investors, this may have benefits.

Table 1. Percentage of Non-Public Ownership in Basic Industry and Chemical Sector Companies 2020-2022

Company	2020	2021	2022
Fajar Surya Wisesa Tbk	99.71%	99.71%	99.71%
Tunas Alfin Tbk	99.44%	99.43%	99.43%
Solusi Bangun Indonesia Tbk	98.58%	98.56%	98.31%
Gunawan Dianjaya Steel Tbk	96.80%	96.71%	96.76%
Beton Jaya Manunggal Tbk	95.91%	95.63%	94.45%
Alakasa Industrindo Tbk	93.07%	93.07%	93.07%
Lotte Chemical Titan Tbk	92.50%	92.50%	92.50%
Surya Toto Indonesia	92.46%	92.46%	92.46%
Toba Pulp Lestari Tbk	92.42%	92.42%	92.42%
Suparma Tbk	92.37%	92.37%	92.37%

Even though there have long been laws governing the minimum number of shares that the public must own, the average public shareholding in businesses listed on the Indonesia Stock Exchange (BEI)

is still quite low, meaning that internal or non-public parties still hold controlling the majority of shares. According to (Ding et al., 2016), this is because one of the strategies used by companies to increase stock prices is by distributing their shares to strategic investors through the involvement of management and institutions in share ownership. This is aimed at ensuring that the company's ownership structure remains in the hands of the founders and management, and to facilitate decision-making during General Shareholders Meetings (RUPS). Meanwhile, research conducted by (Ambarwati & Stephanus, 2014; García-Meca & Sánchez-Ballesta, 2011; and Nurkhin et al., 2017) show that non-public ownership which includes managerial ownership and institutional ownership does not affect company value so it has no effect on share prices.

The differences observed in the aforementioned research findings underscore the urgency of conducting new research that investigates the relevance of accounting such as Earnings Per Share (EPS), Return on Assets (ROA), and non-public ownership percentage to a company's stock price. This research aims to fill the existing knowledge gap and provide a better understanding to investors in making more informed investment decisions regarding the company under study.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT
Signalling Theory
Signals are tools used by senders (information providers) to convey important information that can be utilized by receivers. The receivers will then adjust their actions based on their understanding of these signals (Spence, 1973). According to (Ross, 1977), signalling theory is that business executives who have a thorough grasp of their company will be inclined to share this knowledge with prospective investors in an effort to raise the value of the company's shares. Meanwhile, according to (Brigham & Houston, 2014), signal theory is a move made by business management to give investors hints about management's perspectives on the company's prospects.

This study used signal theory to identify indications or signals that investors can perceive concerning pertinent data in the capital market, encompassing both positive and negative signals. It is considered positive when investors invest their money in the capital market and negative when they choose to invest in other areas deemed more profitable. By using signal theory, this research can explore how what is available in financial reports such as EPS, ROA, and percentage of non-public ownership can provide clues or signals to investors about the intrinsic value and investment prospects of the company. This helps strengthen understanding of how markets react to accounting information and how that information can shape investor perceptions and decisions.

Value Relevance of Accounting Information
The relevance of value is defined as the ability to provide explanatory power of accounting information in relation to a company's value (Beaver, 1968). The value relevance of accounting information is the ability of information presented in financial statements to depict the worth of a company, which is a factor in evaluating the quality of accounting information (Kargin, 2013). According to Financial Accounting Standards (SAK), information can be considered relevant when it assists users of financial statements in evaluating past, present, or future events and in confirming or correcting previous occurrences. Financial information presented in published financial statements must be able to explain the actual condition of the company by detailing all aspects of the company represented by financial figures. The value relevance of accounting information lies in its ability to explain investors' reactions to financial information, as evidenced in the company's stock price.

Hypothesis Development
The Effect of Earning Per Share on Stock Prices
Based on agency theory, an increase in EPS is considered a beneficial management action for shareholders because management has an incentive to improve the company's performance. In the context of signal theory, an increase in EPS is also considered a positive signal about the financial

health of the company, which can encourage investors to increase demand for the company's stock and ultimately raise its stock price. Through Earnings Per Share, shareholders can determine how much income they will earn from each share they own (Sudaryati, 2021). Investors tend to be interested in companies with high profits and may decide to invest in such companies. Research conducted by (Ahmadi & Bouri, 2018; Dika & Pasaribu, 2020; Figlioli et al., 2020) has shown that Earnings per Share influences stock prices.

H1   : Earning Per Share (EPS) has effect on stock prices

The Effect of Return on Asset on Stock Prices

Agency theory and signal theory support the relationship between Return on Assets (ROA) and stock prices. Return on Assets (ROA) depicts a company's ability to manage its assets to generate profits. A higher ROA value indicates that the company is more efficient in managing its business. An increase in ROA is considered an indicator that management is taking action to optimize the company's profits, thus sending a positive signal to shareholders about the company's performance (Pitoyo, 2022). If a company successfully increases its ROA, it can be interpreted as a sign that the company has productive assets and can generate substantial profits. Investors will respond positively to this signal by increasing demand for the company's stock, potentially raising its stock price. This assumption is supported by research conducted by (D'Amato & Falivena, 2020; Husaini, 2012; Pitoyo, 2022) which shows that ROA influences stock prices.

H2   : Return on Asset (ROA) has effect on stock prices

The Effect of Non-Public Ownership Effect on Stock Prices

Ownership structure refers to the comparison between the number of shares held by insider shareholders and the number of shares held by outsider shareholders. Agency theory explains that significant non-public shareholders have the potential to influence management to act in their interests, thereby affecting company performance and stock prices. With ownership by management, it is expected that managers will act in the principal's interests (Jensen & Meckling, 1976) as they are incentivized to optimize performance, thereby increasing the company's value, i.e., the stock price. Furthermore, high institutional ownership can lead to stricter oversight by institutional investors, thus inhibiting opportunistic actions by managers (Wiranata & Nugrahanti, 2013). The greater the proportion of institutional ownership in a company, the more significant the oversight provided by investors. This motivates company managers to be more driven to increase company profits, thereby raising stock prices. This is supported by research conducted by (Lestari et al., 2014; Rahman et al., 2022; Trong & Thuy, 2021), which shows that managerial ownership and institutional ownership, both components of non-public ownership, influence stock prices.

H3   : Non-Public Ownership has effect on stock prices

Conceptual Framework
Figure 1. Conceptual Framework
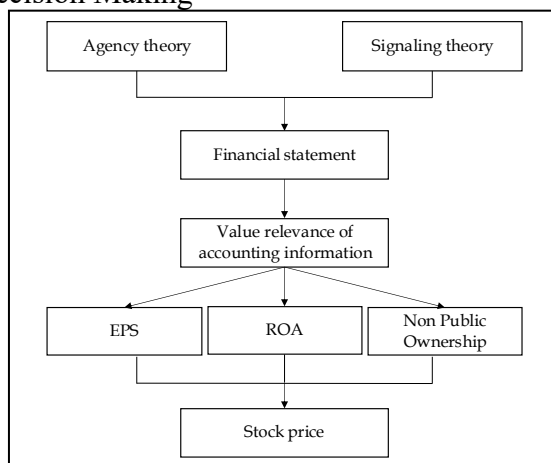
Source: Processed Research Data (2024)

RESEARCH METHODOLOGY

The method used in this research is quantitative. Quantitative research is a type of study used to investigate a population or sample in the form of collected numerical data, which is then analyzed quantitatively/statistically with the aim of testing proposed hypotheses.

Data Types and Sources

This research utilizes secondary data sources as the information source. According to (Pujiono et al., 2023), secondary sources are data obtained or collected from other existing and available sources. The secondary data in this study are financial data available in the form of audited annual reports for the period from 2015 to 2022 from the Indonesia Stock Exchange (BEI) website and the respective websites of each company within the research sample.

Population and Sample

Considering the number of indicators required in calculating the research variables, this study employs purposive sampling technique for the most appropriate sample selection. The criteria set for sample selection in this research are companies in the basic and chemical industries listed on the Indonesia Stock Exchange (IDX) from 2015 to 2022 consecutively, and companies that have presented complete financial reports from 2015 to 2022. Based on these criteria, a total of 59 companies from the basic and chemical industries were obtained, with a total research unit of 472 data points. The selection of this sector is due to the achievement of investment realization in Indonesia reaching 101.3% in 2023. In terms of business sectors, the basic and chemical industries dominated the investment realization in 2023 (BKPM, 2023). Furthermore, the basic and chemical industries dominate the total number of companies in the manufacturing sector. The developments occurring each year in companies in the basic and chemical industries listed on the Indonesia Stock Exchange continue to show improvement. This phenomenon reflects the significant demand from society for the existence of these companies and indicates promising prospects, both at present and in the future.

Variable Operational Definition
Stock Prices (Y)

The study's dependent variable is the stock price as a proxy for investment decision recorded at the closing price on December 31st. The stock price is calculated using the formula as follows (Jogiyanto, 2016):
Stock Price = Closing Price

Earnings per Share (X1)

According to (Brigham & Houston, 2014), Earnings per Share (EPS) is the amount of net income or profit earned per share of outstanding company stock. EPS indicates the earnings earned per ordinary share.

EPS is calculated using the formula as follows (Brigham & Houston, 2014):

$$EPS = \frac{Net\ Income}{Average\ Number\ of\ Share\ Outstanding}$$

Return on Assets (X2)

According to (Kieso et al., 2020), Return on Assets (ROA) is a financial ratio used to assess the level of return achieved by a company through the use of its assets. Return on Assets (ROA) is determined by dividing the net income by the average total assets.

ROA is calculated using the formula as follows (Kieso et al., 2020):

$$ROA = \frac{Net\ Income}{Average\ Total\ Assets}\ x\ 100\%$$

Non-Public Ownership (X3)

Non-public ownership refers to shares held by investors or entities outside of the public or open stock market. Non-public ownership is the total ownership of shares held by managerial and institutional parties (Ambarwati & Stephanus, 2014).

Non-Public Ownership is calculated using the formula:

Non-Public Ownership = % Total Outstanding Shares - % Total Public-Owned Shares

Data Collection Technique

The data utilized in this study are derived from secondary sources. Data gathering was executed through documentation methods by looking through and directly obtaining data from the annual financial reports released by businesses in the basic and chemical industrial sectors listed on the Indonesia Stock Exchange (IDX).

Data collection was conducted using documentation techniques by searching and gathering data directly from the annual financial reports published by companies in the basic and chemical industry sectors listed on the Indonesia Stock Exchange (IDX).

RESULT AND DISCUSSION

Statistics Descriptive Test

Descriptive statistical analysis aims to provide a general summary including maximum value, minimum value, mean value, and standard deviation related to the variables tested in this study.

Table 2. Statistics Descriptive

	N	Min	Max	Mean	Std. Deviation
EPS	472	-993.06	2465.50	105.39	312.97
ROA	472	-104.98	34.31	2.04	9.27
NPO	472	19.34	99.71	75.89	15.50
Harga Saham	472	50.00	22325.00	1679.28	3135.60

Source: Data Processed by Researchers (2024)

Based on the data presented in Table 1 above, there are 472 sample units used in the analysis. From the test results conducted, it is known that the EPS variable has the highest value of Rp2,265.50 and the lowest value of Rp993.06, with an average value of Rp1,105.39 and a standard deviation of Rp312.97. Meanwhile, the ROA variable has a maximum value of 34.31%, a minimum value of -104.98%, an average value of 2.04%, and a standard deviation of 9.27%. The Non-Public Ownership variable has a maximum value of 99.71% and a minimum value of 19.34%, with an average value of 75.89%.

The dependent variable in this study is stock price. The highest stock price value, reaching Rp22,325.00, was obtained by PT Indocement Tunggal Prakasa Tbk in 2015, indicating a strong performance in the capital market during that period. On the other hand, the lowest stock price value of Rp50.00 was found in 6 different companies during the period from 2015 to 2022. Overall, the average stock price value in the basic and chemical industry sector companies from 2015 to 2022 is Rp1,679.28.

Classic Assumption Test
Normality Test
The normality test is a test used to determine whether the distribution or spread of data in a data set to be analysed is normally distributed or not (Bahri, 2018).
Table 3. Normality Test Result

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		472
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.23746139
Most Extreme Differences	Absolute	.041
	Positive	.041
	Negative	-.026
Test Statistic		.041
Asymp. Sig. (2-tailed)		.056[c]

Source: Data Processed by Researchers (2024)

Based on Table 2, the Asymp. Sig (2-tailed) value shows 0.056, which is greater than 0.05. Therefore, it can be concluded that the data is normally distributed.

Multicollinearity Test
The multicollinearity test is used to test whether there is a correlation between independent variables in the study.
Table 4. Multicollinearity Test Result

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	EPS	.823	1.215
	ROA	.862	1.160
	NPO	.950	1.053
a. Dependent Variable: LN_HS			

Source: Data Processed by Researchers (2024)

From Table 3, the Multicollinearity Test shows that all independent variables have tolerance values greater than 0.1 and VIF values less than 10. Therefore, it can be concluded that there is no multicollinearity issue in this study.

Heteroscedasticity Test
Heteroskedasticity test in this study uses the Glejser test to determine whether there is a difference in residual variance from one observation to another in a regression model.
Table 5. Heteroscedasticity Test Result

Coefficients[a]

Model	t	Sig.

1	(Constant)	6.507	.000
	EPS	.130	.897
	ROA	-.646	.518
	NPO	-.980	.328
a. Dependent Variable: ABS_RES			

Source: Data Processed by Researchers (2024)

In the heteroskedasticity test shown in Table 4, it can be observed that the significance values for all independent variables are greater than 0.05. Therefore, it can be concluded that there is no heteroskedasticity in the regression model in this study.

Autocorrelation Test
Autocorrelation test is used to examine the correlation between the disturbance errors (residuals) in period t with the errors in period t-1 (previous period) in a regression model.

Table 6. Autocorrelation Test Result

Runs Test	
	Unstandardized Residual
Test Value[a]	-.08915
Cases < Test Value	236
Cases >= Test Value	236
Total Cases	472
Number of Runs	218
Z	-1.751
Asymp. Sig. (2-tailed)	.080

Source: Data Processed by Researchers (2024)

Based on Table 5, the Run Test results show that the Asymp. Sig (2-tailed) value is 0.080 (>0.05). This result indicates that there is no autocorrelation issue in the regression model.

Multiple Linear Regression Analysis
Table 7. Multiple Linier Regression Analysis

Coefficients[a]					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model	B	Std. Error	Beta		
1 (Constant)	6.0538	.298		20.325	.000
EPS	.0022	.000	.479	11.031	.000
ROA	.0152	.007	.098	2.302	.022
NPO	.0001	.004	.001	.029	.977
a. Dependent Variable: LN_HS					

Source: Data Processed by Researchers (2024)

Based on table 6, the multiple linear regression analysis is obtained as follows:
  Stock Prices = 6.0538 + 0.0022EPS + 0.0152ROA + 0.0001NPO + e
From the equation model above, it can be concluded that:
a. The equation yields a constant value of 6.0538. This indicates that if EPS, ROA, and NPO are considered constant or unchanged, then the stock price will have a value of 6.0538.
b. The variable Earnings per Share (EPS) has a regression coefficient value of 0.0022. This value indicates that the stock price will increase by 0.0022 if EPS increases by one unit and other variables remain constant.

c.   The variable Return on Assets (ROA) has a regression coefficient value of 0.0152. This value indicates that the stock price will increase by 0.0152 if ROA increases by one unit and other variables remain constant.

d.   The variable Non-Public Ownership (NPO) has a regression coefficient value of 0.0001. This value indicates that the stock price will increase by 0.0001 if NPO increases by one unit and other variables remain constant.

Hypothesis Testing Result
F Test
Table 8. F Test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	271.515	3	90.505	58.727	.000[b]
	Residual	721.247	468	1.541		
	Total	992.763	471			

Source: Data Processed by Researchers (2024)

Based on the results of Table 7 above, it is known that the significance value is 0.000 (<0.05). Therefore, it can be concluded that at least one independent variable affects the dependent variable, and the model in this study is suitable for use.

t Test
Table 9. t Test Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.0538	.298		20.325	.000
	EPS	.0022	.000	.479	11.031	.000
	ROA	.0152	.007	.098	2.302	.022
	NPO	.0001	.004	.001	.029	.977

a. Dependent Variable: LN_HS

Source: Data Processed by Researchers (2024)

Based on the t-test results for the EPS variable (X1), a significance value of 0.000 (<0.05) was obtained. Therefore, it can be concluded that the proposed hypothesis H1 is accepted, which is profitability proxied by EPS affects stock prices.

Based on the t-test results for the ROA variable (X2), a significance value of 0.022 (<0.05) was obtained. Therefore, it can be concluded that the proposed hypothesis H2 is accepted, which is profitability proxied by ROA affects stock prices.

Based on the t-test results for the NPO variable (X3), a significance value of 0.977 (>0.05) was obtained. Therefore, it can be concluded that the proposed hypothesis H3 is rejected. Thus, non-public ownership does not affect stock prices.

Coefficient of Determination
Table 10. Coefficient of Determination Test Result

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.523[a]	.273	.269	1.24142

Source: Data Processed by Researchers (2024)

Based on the coefficient of determination test results in Table 9 above, the value of Adjusted R Square is 0.269, which indicates that 26.9% of the variation in stock prices is influenced by the independent variables and 73.1% is influenced by variables outside the research model.

RESULTS AND DISCUSSION

The Effect of Earning Per Share (EPS) on Stock Prices

The hypothesis testing conducted using multiple linear regression analysis and t-test shows that the Earnings per Share (EPS) variable has a positive and significant impact on stock prices. EPS measures a company's profitability by indicating the profit or earnings obtained per share of the company's stock. EPS measures a company's profitability, depicting the profit or earnings gained per share of the company. A higher EPS encourages investors to invest in the company because an increasing EPS indicates higher profits per share that shareholders can potentially earn. Investors pay close attention to EPS before investing their capital because EPS can help predict future dividend payments (Kurniawati & Isroah, 2017).

EPS can be one of the indicators used by shareholders to evaluate managerial performance. In the context of agency theory, if managers have strong incentives to increase the company's value and profits, financial performance including EPS is likely to improve. According to (Ahmadi & Bouri, 2018), a high EPS reflects good financial performance and sends a positive signal to the market and investors. High EPS increases investor interest in buying shares in the company (Figlioli et al., 2020), leading to higher demand for the company's stock and ultimately increasing its stock price.

When EPS has a significant influence on stock prices, investors consider it in making investment decisions. If a company's EPS shows strong growth, investors may consider holding or even buying more shares. The results of this study are consistent with research by (Ahmadi & Bouri, 2018; Dika & Pasaribu, 2020; Figlioli et al., 2020) which state that EPS influences stock prices.

The Effect of Return on Asset (ROA) on Stock Prices

Based on the hypothesis testing results, it was found that Return on Assets (ROA) has positive and significant impact on stock prices. ROA measures a company's profitability by depicting its effectiveness in utilizing assets to generate profits or earnings. The higher the Return on Assets, the greater the profit earned. In the context of agency theory, managerial performance can directly impact ROA. If managers are efficient in managing the company's assets and generating high profits, ROA will increase (Husaini, 2012). However, if there are weaknesses in asset management or poor managerial decisions, ROA can decrease.

The results of this study align with signalling theory, which states that an increase in ROA affects stock prices. According to signalling theory, a high ROA can be interpreted as a positive signal for investors (Pitoyo, 2022), indicating that the company is performing well. A high ROA can attract investor interest in investing in the company, thus potentially increasing the company's stock price.

Based on the research results showing that ROA affects stock prices, investors can consider ROA as one of the indicators in investment decision-making. Investors are likely to consider holding or buying more shares due to strong company performance and potential future profit growth. If a company's ROA is low or even decreasing, investors may consider selling their shares. The results of this study are consistent with findings by (D'Amato & Falivena, 2020; Husaini, 2012; Pitoyo, 2022), which state that ROA influences stock prices.

The Effect of Non-Public Ownership Effect on Stock Prices

The significant probability score of 0.977 indicates that non-public ownership has no effect on stock prices based on test findings. The results indicate a discrepancy with the assumption that high ownership by non-public entities can oversee the company, thus encouraging managers to use company resources efficiently. From these findings, it can be concluded that high ownership by major investors is ineffective in supervising managerial behaviour within the company.

High non-public ownership tends to blur the lines between management functions and control within the company. This fusion can lead to suboptimal decision-making that benefits internal or non-public parties while harming minority shareholders (Ambarwati & Stephanus, 2014). Excessively high non-public ownership tends to create an entrenchment effect, where company management no longer adheres to corporate governance and control, potentially harming the company and infringing on the rights of minority shareholders. Subsequently, managers may attempt to conceal their expropriative actions by resorting to earnings management (Hendi & Lisniati, 2020). This can occur because non-public entities, as controlling stakeholders, have the power to control the financial reporting process. Financial statements containing earnings management tend to have lower quality compared to unmanipulated statements. The impact of earnings management practices is a reduction in the quality and reliability of accounting information, thereby diminishing its relevance for investors.

Investors should assess the risk of manipulation or inaccurate presentation of information in financial statements by non-public ownership. If there are strong indications that financial statements are unreliable or their relevance has been compromised by non-public ownership, investors may consider selling their shares in that company.

The findings of this study are consistent with research conducted by (Ambarwati & Stephanus, 2014; García-Meca & Sánchez-Ballesta, 2011; Nurkhin et al., 2017) that non-public ownership, including managerial ownership and institutional ownership, does not affect stock prices.

CONCLUSION AND SUGGESTION

The research findings indicate that accounting information is important when making investment decisions by investors. Several accounting pieces of information presented in financial statements influence stock prices, thus investors can use them as considerations in investing. Profitability information proxied by EPS and ROA affects stock prices. Higher EPS and ROA values indicate improving company performance, making investors interested in investing their capital in the company, ultimately driving up stock prices (Ahmadi & Bouri, 2018; D'Amato & Falivena, 2020; Dika & Pasaribu, 2020; Figlioli et al., 2020; Husaini, 2012; Pitoyo, 2022). Meanwhile, the variable of accounting information in the form of Non-Public Ownership does not affect stock prices. This finding consistent with research conducted by (Ambarwati & Stephanus, 2014; García-Meca & Sánchez-Ballesta, 2011; Nurkhin et al., 2017). Non-public entities holding a significant amount of shares tend to perform management and control functions within the company. This is because non-public entities as controlling shareholders have the authority to control the financial statement preparation process, leading to earnings management practices that can reduce the quality of accounting information and its relevance in decision-making by financial statement users.

For the next research is expected to broaden the scope of the research sample and add observation years because this study is limited to manufacturing companies in the basic and chemical industry sectors. Adding observation years can make the research results more up-to-date and in line with current conditions. Additionally, new variables such as earnings quality can be added because they can help reduce the risk of fraud or malpractice that may occur in financial reporting.

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