DIJEFA: Dinasti International Journal of Economics, Finance & Accounting
E-ISSN: 2721-303X
P-ISSN: 2721-3021
https://dinastipub.org/DIJEFA dinasti.info@gmail.com +62 811 7404 455

DOI: https://doi.org/10.38035/dijefa.v6i5.5069
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Received: 01 July 2025 | **Revised:** 24 September 2025 | **Accepted:** 07 October 2025

The Effect of Earnings Per Share (EPS) and Operating Cash Flow (OCF) on Company Value with Return on Equity (ROE) as an Intervening Variable in Banking Sector Companies Listed on the IDX in 2020 – 2024

Salma Putri Azzahra[1*], Dwi Urip Wardoyo[2]
[1]Telkom University, Bandung, Indonesia, psalma@student.telkomuniversity.ac.id
[2]Telkom University, Bandung, Indonesia, dwiurip@telkomuniversity.ac.id

[*]Corresponding Author: psalma@student.telkomuniversity.ac.id[1]

Abstract: This study aims to examine the influence of Earning Per Share (EPS) and Operating Cash Flow (OCF) on company value as measured by Price to Book Value (PBV) in banking sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2024, with Return on Equity (ROE) as a mediating variable. The method used in this study is panel data regression analysis with a random effect model, which is analyzed using Eviews 12 software. The data used is the annual financial statements of 36 banking companies listed on the IDX, with a total of 180 observations. The results show that EPS has a negative effect on PBV, while OCF has a significant positive effect on company value. Although ROE had a significant effect on PBV, Sobel's test revealed that ROE did not significantly mediate the effect of EPS and OCF on company value. The classical assumption tests performed (normality, multicollinearity, and heteroscedasticity) showed that the data met the assumptions required for regression analysis. This research contributes to the understanding of the factors that affect corporate value in the Indonesian banking sector, by highlighting the importance of OCF in increasing corporate value and showing that ROE does not function effectively as a mediator in the relationship between EPS and OCF and corporate value. Further research is recommended to expand the scope by considering external factors that may influence more comprehensive outcomes.

Keywords: Earning Per Share (EPS), Operating Cash Flow (OCF), Return on Equity (ROE), Nilai Perusahaan, Price to Book Value (PBV), Sektor Perbankan, Data Panel.

INTRODUCTION

Company value is a very important indicator in describing market perception of a company's performance and future prospects, especially in the banking sector. This value not only reflects the company's ability to create profits for shareholders, but also reflects how the company manages its assets and financial responsibilities efficiently in the face of uncertain market dynamics. In the banking sector, which has a vital role in the economy, the measurement

of company value relies not only on traditional indicators such as stock prices and Price to Book Value (PBV), but is also influenced by external factors such as economic stability, government regulations, and evolving risk perceptions in the market (Novianti et al., 2024a). Therefore, optimizing the company's value in this sector is very important to ensure business sustainability and shareholder welfare in the long term.

In Indonesia's banking sector, despite global challenges such as economic uncertainty and threats to investor confidence due to issues related to illegal financial activities, the sector has shown a positive performance with increased credit disbursement and rapid growth in the digitalization sector. This shows the importance of evaluating the financial performance of banking sector companies, with a primary focus on how internal factors such as operational performance and financial efficiency can contribute to increasing the company's value. Assessing the financial performance of companies in the banking sector often involves indicators such as Earning Per Share (EPS) and Operating Cash Flow (OCF), which can provide an overview of the company's profitability and liquidity in the short and long term (Novianti et al., 2024b).

Previous research on the relationship between EPS, OCF, and corporate value has yielded mixed findings. EPS, as one of the most frequently used indicators of profitability, has been shown to have a significant relationship with a company's value. Research by (Uzliawati, 2022) Previous research on the relationship between EPS, OCF, and corporate value has yielded mixed findings. EPS, as one of the most frequently used indicators of profitability, has been shown to have a significant relationship with a company's value. Research by (A. A. M. Putri & Indraswari, 2024) found that the influence of EPS on a company's value is not always significant. This is due to the fact that high earnings per share do not necessarily reflect the sustainability of a company's profits, so investors need to consider other factors such as earnings stability and dividend policies. On the other hand, OCF, which measures a company's ability to generate cash from operational activities, also plays an important role in determining the value of a company.(Qin, 2024) (Gems, 2022) (Permata, 2022)

However, although many studies have examined the direct relationship between EPS, OCF, and company value, few have explored the role of Return on Equity (ROE) as an intervening variable in this relationship, especially in the context of the banking sector. ROE, which describes management's efficiency in managing equity capital to generate profits, has high relevance in linking EPS and OCF to a company's value. Research by (E. R. M. Putri et al., 2023) shows that ROE can act as a mediator that connects these financial variables to the company's value, given that high profits are not necessarily reflected in the company's value if it is not balanced with efficiency in capital management. This is important to study further, considering that the banking sector has unique characteristics, such as the influence of strict regulations and high dependence on external factors that can affect market perception (Gelitashvili, 2024).

Based on the literature review, there is still a gap in research that examines the relationship between EPS, OCF, and company value with ROE as an intervening variable, especially in the Indonesian banking sector. Previous studies have addressed the direct impact of EPS and OCF on corporate value across sectors, but few have specifically examined the role of ROE in the banking sector which has different characteristics and regulations than other sectors. Therefore, this study aims to fill this gap by examining the influence of EPS and OCF on the value of companies with ROE as an intervening variable in banking sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. This research is expected to make new contributions to the literature on the management of financial performance and corporate value, as well as provide deeper insights for investors and practitioners in making investment decisions based on a more comprehensive analysis of financial performance.

METHOD

This study aims to examine the influence of Earning Per Share (EPS) and Operating Cash Flow (OCF) on the value of companies with Return On Equity (ROE) as an intervening variable in banking sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2024. To achieve this goal, this study adopts a quantitative approach using secondary data analyzed through a panel data regression model. The following is a detailed explanation of the stages of the research, population and samples, data collection techniques, and data analysis techniques used.

Research Stages

This stage of research is systematically designed to ensure that the research process is carried out in a structured manner and can produce valid findings. The stages carried out in this study are as follows:

1. Identifying Problems
   The first stage in this research is to identify problems or phenomena that are relevant to the research topic. The main focus of this study is to analyze the influence of EPS and OCF on company value with ROE as an intervening variable, in the banking sector listed on the IDX in the 2020–2024 period. The issues examined relate to how a company's financial performance measured by EPS and OCF interacts with ROE to influence market perception of the company's value.

2. Determining the Formulation of the Problem
   After identifying the problem, the researcher formulates the problem in the form of a clear question sentence and based on previous research and existing theories. Some of the main questions formulated include: Does EPS have a significant effect on the company's value? Does OCF have a significant effect on the value of a company? And is ROE able to mediate the influence of EPS and OCF on company value?

3. Making a Hypothesis
   The hypothesis is formulated based on the analysis of existing literature and previous research. The main hypothesis of this study is that there is a simultaneous and partial relationship between EPS, OCF, and ROE to the value of the company. The hypotheses tested in this study are as follows:
   a. H1: There is a significant positive effect between EPS on the value of the company.
   b. H2: There is a significant positive influence between OCFs on the value of the company.
   c. H3: ROE acts as a mediator in the relationship between EPS and company value.
   d. H4: ROE acts as a mediator in the relationship between OCF and company values.

4. Data Collection
   The next stage is the collection of data that will be used to test the hypothesis that has been formulated. The researcher collected secondary data in the form of annual financial statements of banking sector companies listed on the IDX for the 2020–2024 period. This data is obtained from the official website of the IDX (www.idx.co.id) as well as the annual report published by each company. The data collected includes information on EPS, OCF, ROE, and company value proxied with PBV (Price to Book Value).

5. Data Analysis
   Once the data is collected, the next stage is to analyze the data using appropriate statistical methods. The data obtained will be analyzed using multiple linear regression in the panel

data model. In the data analysis, the researcher will test the influence of each independent variable (EPS and OCF) on the dependent variable (company value) and test the mediating role of ROE. This process is carried out to answer the hypothesis that has been formulated.

6. Data Interpretation

This stage of research is systematically designed to ensure that the research process is carried out in a structured manner and can produce valid findings. The stages carried out in this study are as follows:

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6. Data Interpretation

Population and Sample

(Wardoyo & Fauziah, 2024) (Wardoyo & Fauziah, 2024)
(Nyimbili & Nyimbili, 2024) (Nyimbili & Nyimbili, 2024)

1. Banking sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2024 period.
2. Companies in the banking sector consistently present complete financial statements during the period.
3. Companies that have complete financial data required for analysis during the research period.

After making a selection based on the criteria above, 35 companies were obtained that met the criteria and could be used as samples in this study. Thus, the number of observation data used in this study is 175 data (35 companies x 5 years).

Data Collection Techniques

In this study, data collection techniques were carried out with two main approaches: literature research and documentation.

1. Literature Research
   The researcher conducts literature research to obtain theories and information relevant to the research topic. This research was conducted by studying various literature related to EPS, OCF, ROE, and corporate values. The literature used includes textbooks, journal articles, and research reports that discuss theories and related research findings (Jaya et al., 2023).

2. Documentation
   Secondary data is collected through a documentation method by accessing the financial statements of banking sector companies listed on the IDX. The data collected includes annual reports containing information on EPS, OCF, ROE, as well as PBV (Price to Book Value) to measure the value of the company. The financial statements can be accessed through the official website of the IDX (www.idx.co.id) and the annual report published by each company (Wardoyo et al., 2022).

Data Analysis Techniques

1. Panel Data Analysis
   To test the influence of EPS, OCF, and ROE on company value, this study used multiple linear regression with panel data analysis. The data panel is a combination of time series data and cross-sector data, which allows for more complex analysis and magnifies the number of observations, thereby increasing the statistical strength and validity of the results (Shen et al., 2022). The regression model used in this study is a panel data model, which combines data from various companies in different periods. The regression analysis process is carried out in several stages as follows:
   a. Panel data regression modeling: Build regression models that fit the available panel data structures.
   b. Panel data regression estimation model selection: Choose between Common Effect, Fixed Effect, or Random Effect models. The selection of this model was carried out using the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test. Based on the test results, the Fixed Effect model was selected as the most suitable model.

2. Classic Assumption Test
   To ensure the validity of regression results, the model must meet some important classical assumptions. The classic assumption tests carried out include:
   a. Normality Test: Uses the Kolmogorov-Smirnov test to ensure that the residual distribution in the regression model follows the normal distribution.
   b. Multicollinearity test: Using Tolerance and Variance Inflation Factor (VIF) to identify strong relationships between independent variables.
   c. Heteroscedasticity Test: Uses the Spearman's Rho test to ensure that residual variance does not vary (homoskedasticity) across observational data.

3. Model Accuracy Test
   To measure the reliability of the regression model, several tests were performed:
   a. Simultaneous Test (F Test): To test whether independent variables together have an effect on dependent variables.
   b. R Square and Adjusted R Square tests: To measure how much variability of dependent variables can be explained by independent variables in a model.

4. Sobel Test
   To test the mediating role of ROE, the Sobel test was used. This test was conducted to measure the indirect influence of EPS and OCF on company value through ROE. This Sobel test is important to confirm whether ROE serves as a significant mediator in the relationship between independent and dependent variables.

5. Uji Hipotesis
   To test whether each independent variable has a significant effect on the company's value partially (Wardoyo & Veronica, 2013). The t-test is a test to see the level of significance (influence) of each independent variable partially on the dependent variable (Palupi & Tjahjono, 2023). The hypotheses to be tested are as follows:
   a. The Effect of Earnings Per Share (EPS) on Company Value
      1) H0.1: $\beta 1 \leq 0$; Earning Per Share has no significant effect on the company's value.
      2) H1.1: $\beta 1 > 0$; Earning Per Share has a significant positive effect on the company's value
   b. The Effect of Operating Cash Flow (OCF) on Company Value
      1) H0.1: $\beta 1 \leq 0$; Operating Cash Flow has no significant effect on the company's value.
      2) H1.1: $\beta 1 > 0$; Operating Cash Flow has a significant positive effect on the company's value

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis was conducted to describe the characteristics of the data used in this study, including mean, maximum, minimum, and standard deviation values. The data analyzed is the annual financial data of banking sector companies listed on the Indonesia Stock Exchange for the 2020-2024 period. The results of this descriptive analysis can be seen in Table 1 below.

Table 1. Descriptive Statistical Testing Results

Variabel	Mean	Max	Min	Std. Dev.
PBV	0.090500	0.680000	-0.900000	0.297564
EPS	25.90682	98.99200	-17.46200	27.31573
OCF	0.221333	0.961000	0.000000	0.261692
ROE	7.936128	209.3580	-0.154000	31.92897

Based on Table 1, the average PBV value is 0.090, indicating that in general, the companies in the sample have a corporate value of 9%. The standard deviation of 0.297 indicates that there is a fairly high variation in company values between companies in the sample. A maximum PBV value of 0.680 indicates the existence of a company with a relatively high value, while a minimum value of -0.900 indicates the existence of a company with a negative PBV value, which indicates that the company's share price is lower than its book value or undervalued.

The average value of EPS is 25.90, with a standard deviation of 27.315, which indicates that the EPS data is highly variable. The maximum EPS value of 98.99 is owned by PT. Bank Permata Tbk, while the minimum EPS value of -17.46 is owned by PT. Bank Artos Indonesia Tbk. Large variations in EPS indicate that the results obtained from this variable are not clustered, reflecting significant fluctuations between companies.

The mean OCF was 0.221, which means that 22% of the sample had an above-average OCF. With a standard deviation of 0.261, these results show that OCF also varies significantly between companies. The maximum OCF value of 0.96 is owned by PT. Bank BTPN Tbk, while the minimum value of 0.000 is owned by PT. Bank National Nobu Tbk and PT. West Java Regional Development Bank Tbk. This shows that there is irregularity in the management of operational cash between companies.

The average ROE is 7,936, with a standard deviation of 31.92. This value shows that ROE between companies varies significantly. The maximum ROE value of 209,358 is owned by PT. Bank Mega Tbk, while the minimum ROE value of -0.154 is owned by PT. Bank Artos Indonesia Tbk. This very high variation reflects a large difference in the efficiency of equity management between banks.

Normality Test Results

Based on the results of the normality test, the value of Jarque-Bera is 0.1196, which is greater than 0.05. This shows that the data of this study is normally distributed as can be seen in Figure 1.

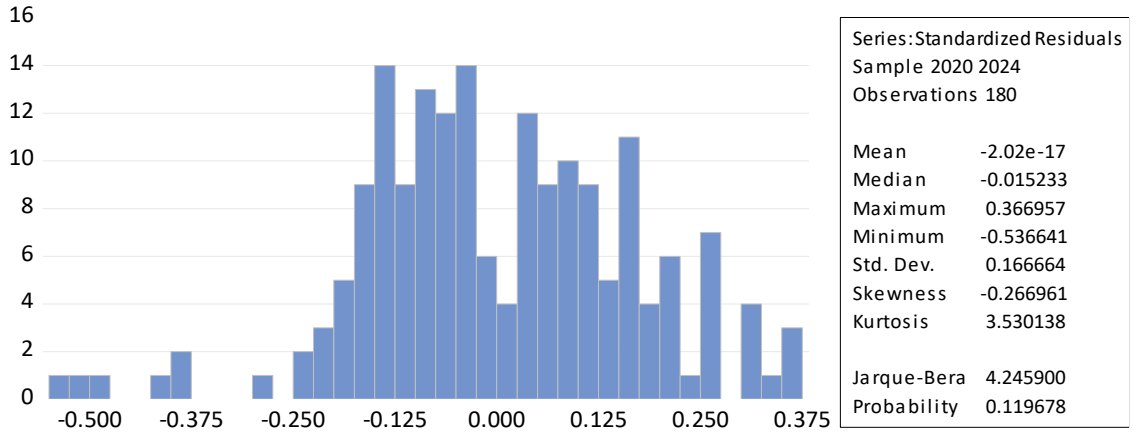


Figure 1. Normality Test Results

Multicollinearity Test Results

Table 2. Multicollinearity Test Results

	EPS	OCF	ROE
EPS	1.000000	-0.007724	0.137961
OCF	-0.007724	1.000000	0.059512
ROE	0.137961	0.059512	1.000000

Based on the data in Table 2, the correlation value of each independent (independent) variable was < 0.8, the correlation between the variables EPS (X1) and OCF (X2) was -0.007, the correlation between the variables EPS (X1) and ROE (Z) was 0.137, while the correlation between the variables OCF (X2) and ROE (Z) was 0.059, so it can be concluded that there was no multicollinearity in the data used.

Heteroscedasticity Test Results

Based on the heteroscedasticity test, the probability values for the variables EPS (0.419), OCF (0.803), and ROE (0.735) were all greater than 0.05, which indicates that the data in this study did not experience symptoms of heteroscedasticity, as can be seen in Table 3.

Table 3. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.027016	0.008511	3.174232	0.0018
EPS	6.72E-05	8.30E-05	0.809162	0.4195
OCF	0.002197	0.008823	0.249043	0.8036
ROE	-2.72E-05	8.05E-05	-0.338167	0.7356

Panel Data Regression Analysis

This study uses a panel data regression model to examine the influence of EPS, OCF, and ROE on company value (PBV). Based on model testing, the Chow, Hausman, and Lagrange Multiplier tests show that the best model is a random effect model.

1. Chow Test

   Based on the results of the Chow test (Tables 4 and 5), the probability value of the Cross-section Chi-square is 0.0000, which is smaller than 0.05, so H0 is rejected and a better model is a fixed effect. However, subsequent tests (Hausman and Lagrange Multiplier) showed that the random effect model was better.

Table 4. Chow Substructure I Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	7.547576	(35,142)	0.0000
Cross-section Chi-square	189.167907	35	0.0000

Table 5. Chow Substructure II Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.775752	(35,141)	0.0000
Cross-section Chi-square	286.647917	35	0.0000

2. Hausman Test

   Based on the results of the Hausman test (Tables 6 and 7), the probability values are 0.2965 and 0.1796, which are greater than 0.05, so H0 is accepted and the better model is a random effect.

Table 6. Hausman Substructure I Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.431521	2	0.2965

Table 7. Hausman Substructure II Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.895558	3	0.1796

3. Uji Lagrange Multiplier

The results of the Lagrange Multiplier test (Tables 4.8 and 4.9) show a probability value of 0.0000, which is smaller than 0.05, so H0 is rejected and a better model is a random effect.

Table 8. Lagrange Multiplier Substructure I Test Results

	Test Hypothesis		
	Cross-section	**Time**	**Both**
Breusch-Pagan	107.5149	0.050882	107.5658
	(0.0000)	(0.8215)	(0.0000)
Honda	10.36894	-0.225570	7.172446
	(0.0000)	(0.5892)	(0.0000)
King-Wu	10.36894	-0.225570	3.107029
	(0.0000)	(0.5892)	(0.0009)
Standardized Honda	10.80891	0.090436	3.361250
	(0.0000)	(0.4640)	(0.0004)
Standardized King-Wu	10.80891	0.090436	0.477344
	(0.0000)	(0.4640)	(0.3166)
Gourieroux, et al.	--	--	107.5149
			(0.0000)

Table 9. Lagrange Multiplier Substructure II Test Results

	Test Hypothesis		
	Cross-section	**Time**	**Both**
Breusch-Pagan	180.7482	1.802457	182.5507
	(0.0000)	(0.1794)	(0.0000)
Honda	13.44426	-1.342556	8.557199
	(0.0000)	(0.9103)	(0.0000)
King-Wu	13.44426	-1.342556	3.033765
	(0.0000)	(0.9103)	(0.0012)
Standardized Honda	14.10846	-1.148825	4.952184
	(0.0000)	(0.8747)	(0.0000)
Standardized King-Wu	14.10846	-1.148825	0.417138
	(0.0000)	(0.8747)	(0.3383)
Gourieroux, et al.	--	--	180.7482
			(0.0000)

Panel Data Method Selection

Based on the results of the model tests that have been carried out, the random effect method is the right model for this study. The following are the results of the panel data analysis using the random effect model.

Table 10. Panel Data Analysis Results (Random Effect Model)

Variabel	Koefisien	Std. Error	t-Statistic	Prob.
C	6.754	5.224	1.293	0.1977
EPS	0.1105	0.0790	1.399	0.1635
OCF	-7.601	8.364	-0.909	0.3647

Based on the regression results, the following equations are obtained:

$$ROE = 6.754 + 0.110 \cdot EPS - 7.601 \cdot OCF + e$$

Table 11. Panel Data Analysis Results (PBV Model)

Variabel	Koefisien	Std. Error	t-Statistic	Prob.
C	0.222	0.0282	7.870	0.0000
EPS	-0.0075	0.0003	-22.455	0.0000
OCF	0.2536	0.0353	7.184	0.0000
ROE	0.0007	0.0003	2.287	0.0234

The regression equations for the PBV model are:
$PBV = 0.222 - 0.0075 \cdot EPS + 0.2536 \cdot OCF + 0.0007 \cdot ROE + e$

Pengujian Hypothesis

Table 6 shows that the Adjusted R-Square value for the ROE model is 0.006 (0.6%), which means that EPS and OCF are only able to explain 0.6% of the ROE variation, while the remaining 99.4% is explained by other factors. Table 4.13 shows that the Adjusted R-Square value for the PBV model is 0.768 (76.8%), which means that EPS, OCF, and ROE are able to account for 76.8% of the company's value variation (PBV).

Table 12. Determination Coefficient (R2) Substructural I Test Results

Root MSE	20.80427	R-squared	0.017163
Mean dependent var	2.854961	Adjusted R-squared	0.006057
S.D. dependent var	21.04367	S.E. of regression	20.97984
Sum squared resid	77907.19	F-statistic	1.545440
Durbin-Watson stat	1.946700	Prob(F-statistic)	0.216081

Table 13. Results of Determination Coefficient (R2) Substructural II Test

Root MSE	0.084198	R-squared	0.771840
Mean dependent var	0.022577	Adjusted R-squared	0.767951
S.D. dependent var	0.176763	S.E. of regression	0.085149
Sum squared resid	1.276066	F-statistic	198.4630
Durbin-Watson stat	1.870497	Prob(F-statistic)	0.000000

Based on the results of the simultaneous test (F-Test) for the ROE model in Table 14, the Prob value (F-Statistic) is 0.2160, which is greater than 0.05, so that EPS and OCF have no simultaneous effect on ROE. However, based on Table 15, for the PBV model, the Prob value (F-Statistic) is 0.0000, which is smaller than 0.05, indicating that EPS, OCF, and ROE have a simultaneous effect on PBV.

Table14. Results of Simultaneous Testing (F-Test) Substructural I

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The results of the t-test for the ROE model (Table 16) show that neither EPS (0.1635) nor OCF (0.3647) have a significant effect on ROE. Meanwhile, the t-test results for the PBV model (Table 17) show that EPS, OCF, and ROE all have a significant effect on the company's value.

Table 16 Substructural Partial Test Results I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.754587	5.224181	1.292947	0.1977
EPS	0.110548	0.079005	1.399266	0.1635
OCF	-7.601280	8.363648	-0.908847	0.3647

Table 17. Substructural Partial Test Results II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.222198	0.028234	7.869837	0.0000
EPS	-0.007475	0.000333	-22.45548	0.0000
OCF	0.253609	0.035303	7.183744	0.0000

Sobel Test

1. Return on Equity as a Mediator in the Influence of EPS on Company Value

   The results of the Sobel test to test the role of Return on Equity (ROE) as a mediator in the relationship between Earning Per Share (EPS) and company value (PBV) showed that the p-value obtained was 0.230. This p-value is greater than 0.05, which indicates that the influence of EPS on the company's value is not significantly mediated by ROE. In other words, although there is a relationship between EPS and company value, ROE does not have a significant role as a mediator in the relationship.

2. Return on Equity as a Mediator in the Influence of OCF on Company Value

   For the ROE mediation test on the effect of Operating Cash Flow (OCF) on company value (PBV), the results of the Sobel test showed a p-value of 0.397. This p-value is also greater than 0.05, which indicates that ROE does not significantly mediate the influence of OCF on the value of the company. Therefore, while there is a relationship between OCF and company value, ROE does not serve as a significant mediator in explaining the influence.

CONCLUSION

Based on the results of the analysis that has been carried out, it can be concluded that Earning Per Share (EPS) and Operating Cash Flow (OCF) have a significant effect on the company's value as measured by Price to Book Value (PBV) in banking sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2024 period. However, Return on Equity (ROE) does not play a significant role as a mediator in the relationship between EPS and OCF to the company's value. Although EPS has a negative effect on the company's value, OCF shows a significant positive influence on PBV. ROE, although it affects the value of the company, is not able to significantly mediate the relationship between EPS and OCF and PBV, as can be seen from the results of the Sobel test which showed a p-value greater than 0.05. In addition, a regression analysis of panel data with a random effect model showed that although the factors studied had an impact on the company's value, most of the variation in the company's value was explained by factors outside the study. The study also identified that while EPS and OCF have an influence on a company's value, external factors and other broader policies may play an important role in influencing the performance of the banking sector. Therefore, further research is recommended to expand the scope of research by considering other variables that can affect the value of the company, as well as exploring other sectors to see differences and similarities in the influence of these variables.

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