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.v7i1.6432
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**Received:** 26 February 2026 | **Revised:** 07 March 2026 | **Accepted:** 26 March 2026

# The Influence of Free Cash Flow, Earning Per Share, and Debt to Equity Ratio on Stock Returns Moderated by Firm Size in IDX 30 Companies

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**Abstract:** This study to analyze the effect of Free Cash Flow (FCF), Earning Per Share (EPS), and Debt to Equity Ratio (DER) on Stock Returns moderated by Firm Size in IDX 30 Companies. **The purpose** of this article is to prove the hypothesis of the influence between variables that will be used in further research..**The results** of this study indicate that 1) Earning Per Share (EPS) has a positive effect on Stock Returns; 2) Free Cash Flow (FCF) has an effect on Stock Returns but in the opposite direction.; 3) Debt to Equity Ratio (DER) has no effect on Stock Returns; 4) Free Cash Flow (FCF) moderated by Firm Size has a positive effect on Stock Returns; 5) Earning Per Share (EPS) moderated by Firm Size has an effect on Stock Returns but in the opposite direction; 6) Debt to Equity Ratio (DER) moderated by Firm Size has a negative effect on Stock Returns.

**Keywords:** Free Cash Flow (FCF), Earning Per Share (EPS), Debt to Equity Ratio (DER), Stock Return, Firm Size.

## INTRODUCTION

There has been a phenomenon of increasing weighted share prices of IDX 30 companies from 2019 to 2024, although there has been a decline each year.

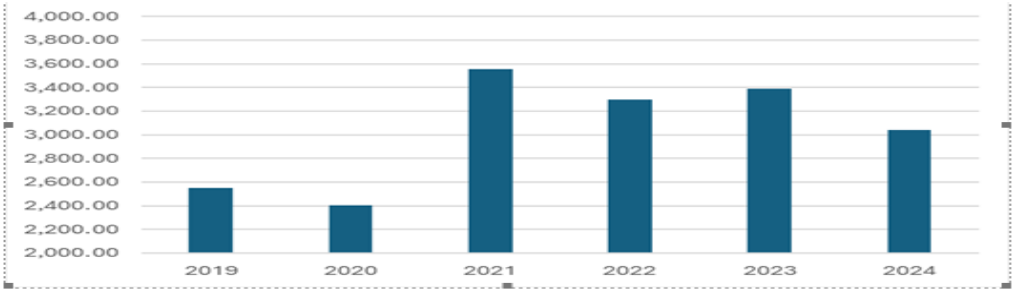
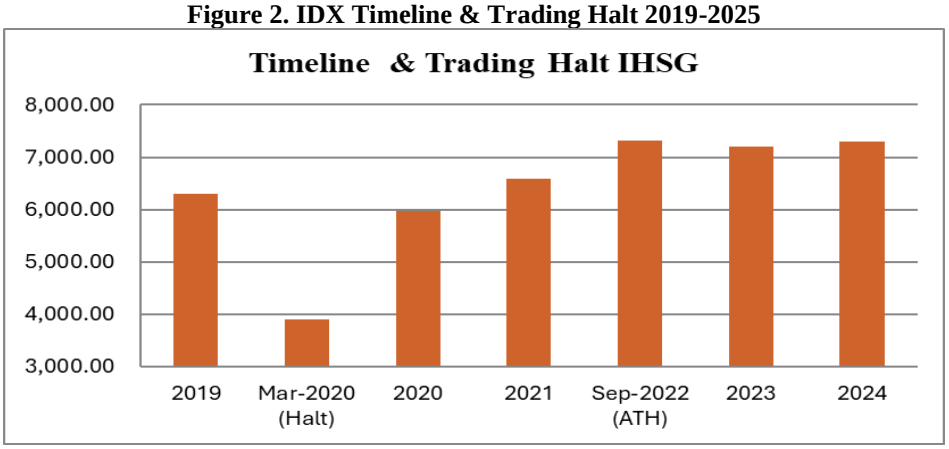



**Figure 1. Weighted Average Stock Price Graph for IDX30 Companies**
Source: *https://finance.yahoo.com/*

**Figure 2. IDX Timeline & Trading Halt 2019-2025**




Sumber: *https://idx.co.id/*

Research conducted by (Yan et al., 2024) and (Bossman et al., 2022) found that free cash flow affects stock returns, while research conducted by (Shujie Liu, et al., 2023) found that free cash flow has no effect on stock returns. Research conducted by (Badruzaman, 2020) and (Senarath & Fransis, 2018) found that earnings per share affects stock returns, while research conducted by (Mao, 2023) found that earnings per share has no effect on stock returns. Research conducted by (Rahmawati & Hadian, 2022) found that the debt-to-equity ratio affects stock returns, while research conducted by (Wulansari & Digdowiseiso, 2023) and (Retnodamayanti, 2022) found that the debt-to-asset-equity ratio has no effect on stock returns. Based on the phenomenon of changes in stock returns that occurred from 2019 to 2024, as well as the discrepancies (gaps) in previous research findings, some stated that free cash flow, earnings per share, and the debt-to-equity ratio influence stock returns, while others stated that free cash flow, earnings per share, and the debt-to-equity ratio do not affect stock returns. The researchers wanted to conduct a study to determine whether free cash flow, earnings per share, and the debt-to-asset ratio influence changes in stock returns. They added a moderating variable, namely company size, which is measured by looking at total assets. According to Horne & Wachowicz (2008), companies with large total assets indicate high company value and attract investor interest because they are perceived to have better performance and prospects.

## METHODS

This research is a quantitative research with a confirmatory analysis type. In the data analysis step, the collected data is analyzed statistically to see if the hypothesis is proven (Sekaran, 2006). The data analysis method used in this study is multiple regression analysis. Regression analysis is used not only to measure the strength of the relationship between two or more variables, but also to show the direction of the relationship between the dependent variable and the independent variable (Ghozali, 2016). Previously, it will be tested first using descriptive statistics and classical assumption tests. Data processing was carried out using the SPSS program version 27 for Windows.

The population used in this study was 30 companies consistently listed on the Indonesia Stock Exchange from 2019 to 2024.

**Table 1. Reseacrh Population**

| No. | Code | Company Name |
|---|---|---|
| 1 | ACES | Ace Hardware Indonesia Tbk |
| 2 | ADRO | Adaro Energy Indonesia Tbk |
| 3 | AKRA | AKR Corporindo Tbk |

| | | |
|---|---|---|
| 4 | AMRT | Sumber Alfaria Trijaya Tbk |
| 5 | ANTM | Aneka Tambang Tbk |
| 6 | ARTO | Bank Jago Tbk |
| 7 | ASII | Astra International Tbk |
| 8 | BBCA | Bank Central Asia Tbk |
| 9 | BBNI | Bank Negara Indonesia (Persero) Tbk |
| 10 | BBRI | Bank Rakyat Indonesia (Persero) Tbk |
| 11 | BMRI | Bank Mandiri (Persero) Tbk |
| 12 | BRPT | Barito Pacific Tbk |
| 13 | CPIN | Charoen Pokphand Indonesia Tbk |
| 14 | $GOTO_1$ | GoTo Gojek Tokopedia Tbk |
| 15 | ICBP | Indofood CBP Sukses Makmur Tbk |
| 16 | INCO | Vale Indonesia Tbk |
| 17 | INDF | Indofood Sukses Makmur Tbk |
| 18 | INKP | Indah Kiat Pulp & Paper Tbk |
| 19 | KLBF | Kalbe Farma Tbk |
| 20 | MAPI | Mitra Adiperkasa Tbk |
| 21 | $MBMA_1$ | Merdeka Battery Materials Tbk |
| 22 | MDKA | Merdeka Copper Gold Tbk |
| 23 | MEDC | Medco Energi Internasional Tbk |
| 24 | PGAS | Perusahaan Gas Negara Tbk |
| 25 | $PGEO_1$ | Pertamina Geothermal Energy Tbk |
| 26 | PTBA | Bukit Asam Tbk |
| 27 | SMGR | Semen Indonesia (Persero) Tbk |
| 28 | TLKM | Telkom Indonesia (Persero) Tbk |
| 29 | UNTR | United Tractors Tbk |
| 30 | UNVR | Unilever Indonesia Tbk |

Source: Attachment to BEI Announcement No. Peng-00220/BEI.POP/10-2024

**Table 2. Variable Instruments**

| No. | Variable | Measurement | Scale |
|---|---|---|---|
| 1. | *Stock Return* per Share (Y) | $(P_t - P_{t-1}) / P_{t-1}$ | Ratio |
| 3. | *Free Cash Flow* ($X_1$) | *Operating Cash Flow−Capital Expenditures* | Ratio |
| 3. | *Earning Per Share* ($X_2$) | Net Profit / Total of shares | Ratio |
| 4. | *Debt to Equity Ratio* ($X_3$) | Total of Debt / Total of Equity | Ratio |
| 5. | *Firm Size* (Z) | Total Aset | Ratio |

Source: Brigham, Eugene F. & Houston, Joel F.. (2004), Darmadji dan Hendy M. (2001), Ross, Westerfield, dan Jaffe (2005)

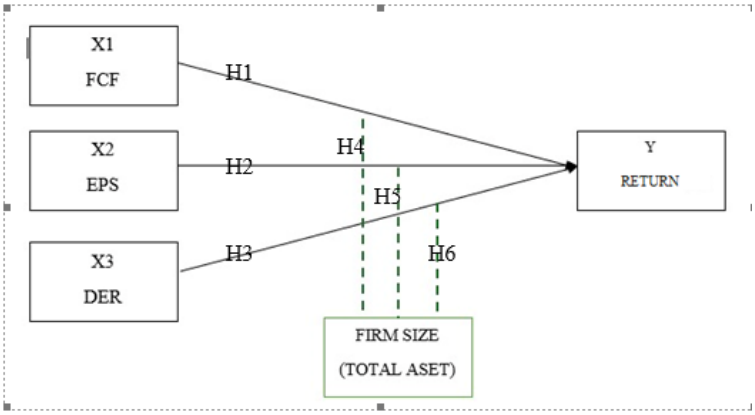



**Figure 3. Research Framework**

FCF = Free Cash Flow
EPS = Earning Per Share
DER = Debt to Equity Ratio

## RESULTS AND DISCUSSION

This test was conducted to determine the significance of the Free Cash Flow (X1), Earnings Per Share (X2), and Debt to Equity Ratio (X3) variables on Stock Price (Y) moderated by Firm Size (Z). Decision making in the t-statistical test can be done by looking at the significance value at a confidence level of 0.05. The results of the hypothesis test can be seen in the following table.

**Table 3. t-Test Results**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | 1.381 | .202 | | 6.824 | .000 |
| | FCF | -.077 | .019 | -.688 | -4.150 | .000 |
| | EPS | .170 | .076 | .586 | 2.236 | .027 |
| | DER | .009 | .155 | .018 | .056 | .955 |
| | FCF.Firm Size | .002 | .001 | 1.050 | 4.006 | .000 |
| | EPS.Firm Size | -.008 | .003 | -.997 | -3.025 | .003 |
| | DER.Firm Size | -.018 | .006 | -.885 | -2.774 | .006 |

a. Dependent Variable: Return Saham

Source: Secondary data processed with SPSS 27

Based on Table 1, the influence of each variable can be seen as follows:

**The Influence of Free Cash Flow (X1) on Stock Returns (Y)**

From Table 1 the coefficient obtained is |-4.150|, meaning that the calculated t-value of 4.150 is greater than the t-value of 1.9796. The significance level is 0.001 <0.05. It can be concluded that Free Cash Flow influences Stock Returns, but in the opposite direction, as the coefficient is negative. This means that H1 is rejected in this study.

**The Influence of Earnings Per Share (X2) on Stock Returns (Y)**

From Table 1 the coefficient obtained is |2.236|, meaning that the calculated t-value of 2.236 is greater than the t-value of 1.9796. The significance level is 0.027 <0.05. It can be concluded that Earnings Per Share influences Stock Returns in the same direction, as the coefficient is positive. This means that H2 is accepted in this study.

**The Influence of Debt to Equity Ratio (X3) on Stock Returns (Y)**

Table 1 shows a calculated t-value of |0.056|, meaning that the calculated t-value is 0.056 < the t-value of 1.9796. The significance level is 0.955 > 0.05. It can be concluded that the Debt to Equity Ratio has no Influence on Stock Returns and is in the same direction, as the coefficient is positive. This means that H3 is rejected in this study.

**The Influence of Free Cash Flow Moderated by Firm Size (X1.M) on Stock Returns (Y)**

Table 1 shows a calculated t-value of |4.006| This means that the calculated t-value is 4.006 > t-value of 1.9796, and the significance level is 0.001 < 0.05. It can be concluded that Free Cash Flow, moderated by Firm Size (X1.M), has a positive Influence on Stock Returns. This means that H4 is accepted in this study.

**The Influence of Earnings Per Share, Moderated by Firm Size (X2.M) on Stock Returns (Y)**

Table 1 shows a calculated t-value of |-3.025|, meaning that the calculated t-value is 3.025 > t-value of 1.9796. The significance level is 0.003 < 0.05. It can be concluded that Earnings Per Share, moderated by Firm Size (X2.M), has a negative Influence on Stock Returns, but in the opposite direction. This means that H5 is rejected in this study.

**The Influence of Debt to Equity Ratio Moderated by Firm Size (X3.M) on Stock Returns (Y)**

Table 1 shows a calculated t-value of |-2.774|, meaning the calculated t-value of 2.774 is greater than the t-value of 1.9796. The significance level is 0.006 <0.05. It can be concluded that the Debt to Equity Ratio Moderated by Firm Size (X3.M) has an inverse Influence on Stock Returns, as the coefficient is negative. This means that H6 is accepted in this study.

## CONCLUSION

1. The research results show that free cash flow negatively impacts stock returns. This is due to a decrease in free cash flow but an increase in stock returns, or vice versa, if free cash flow increases but stock returns decline, making it an inappropriate consideration in making investment decisions.
2. The research results show that earnings per share positively impacts stock returns. This is because an increase in earnings per share is accompanied by an increase in stock returns, and conversely, a decrease in earnings per share is accompanied by a decrease in stock returns, making it a consideration in making investment decisions.
3. The research results show that the debt-to-equity ratio has no effect on stock returns. This is because a decrease in the debt-to-equity ratio does not increase stock returns, making it an unacceptable consideration in making investment decisions.
4. The research results show that company size positively strengthens the effect of free cash flow on stock returns. This is because an increase in free cash flow, moderated by company size, is accompanied by an increase in stock returns. Conversely, a decrease in free cash flow, moderated by company size, is accompanied by a decrease in stock returns, making it an acceptable consideration in making investment decisions.
5. The results of the study indicate that company size negatively strengthens the effect of earnings per share on stock returns. This is because when earnings per share, moderated by company size, increases, stock returns decrease. Conversely, when earnings per share, moderated by company size, decreases, stock returns increase, making it unsuitable for investment decisions.
6. The results of the study indicate that company size negatively weakens the effect of the debt-to-equity ratio on stock returns. This is because when the debt-to-equity ratio,

moderated by company size, increases, stock returns decrease. Conversely, when the debt-to-equity ratio, moderated by company size, decreases, stock returns increase. Therefore, it can be considered in investment decisions.

Based on the research results, discussion, and conclusions described above, the researcher provides the following theoretical and practical implications. Based on the research variables and the explanations in the previous chapter, this study is expected to provide the following theoretical implications and benefits:

1. The first study shows that free cash flow has a negative effect on stock returns. Based on the data, free cash flow fluctuates with a downward trend, while stock returns fluctuate in the opposite direction.
2. The second study shows that earnings per share has a positive effect on stock returns. Based on the data, earnings per share fluctuates with a downward trend, paralleling the fluctuations in stock returns, which also tend to increase.
3. The third study shows that the debt-to-equity ratio has no effect on stock returns. Based on the data, the debt-to-equity ratio tends to stagnate, while stock returns tend to increase.
4. The fourth study shows that firm size strengthens the positive effect of free cash flow on stock returns. Based on the data, free cash flow, moderated by firm size, fluctuates with an upward trend, paralleling the fluctuations in stock returns, which also tend to increase.
5. The results of the fifth study indicate that firm size strengthens the negative influence of earnings per share on stock returns. Based on the moderated earnings per share data, firm size fluctuates in the opposite direction to stock returns.
6. The results of the sixth study indicate that firm size weakens the negative influence of the debt-to-equity ratio on stock returns. Based on the moderated debt-to-equity ratio data, firm size fluctuates, tending to decrease, while stock returns tend to increase.

A company's profit level will influence the investment decisions of investors and potential investors. Companies with stable and increasing earnings per share provide certainty for investors, as they can provide returns in the form of dividends.

Company management can identify factors that can increase the company's stock market value. The results of this study indicate that increasing a company's stock market value does not depend on free cash flow and the debt-to-equity ratio to influence investor interest, thus increasing the company's market value. However, by considering the value of the company's assets, free cash flow and the debt-to-equity ratio can influence investor investment interest.

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