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Stock Price Increase Based on Profitability, Profit and Leverage with Investment Policy as Intervention Variable

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ABSTRACT
This study investigates the impact of Profitability, Revenue, and Leverage, with investment policies as intervention variables, on the share prices of telecommunications subsector companies listed on the Indonesia Stock Exchange from 2019 to 2023. Utilizing a quantitative research approach, this study analyzes secondary data collected from the company's financial statements. The aim of this study was to consider additional performance indicators for a comprehensive understanding of the overall health of the company. The sample consisted of 18 companies selected through purposive sampling, each meeting specific criteria. Statistical analysis was performed using Partial Least Square (PLS) to explore the relationships between the variables under investigation. These findings reveal that ROA, EPS, and DER have a significant positive effect on the Price Income Ratio (PER). In contrast, ROA has a significant negative impact on stock prices, while EPS, DER, and PER have a positive impact on stock prices. In addition, PER mediates the relationship between ROA and DER with stock price but does not mediate the relationship between EPS and stock price.
***Keywords**: Profitability; earnings per share; Leverage; Stock Price; Price Income Ratio.*

INTRODUCTION

In the current era of globalization, business competition is getting tighter, forcing companies to improve the quality and quantity of their products by increasing capital through the sale of securities or shares in the capital market. Stock prices, influenced by supply and demand, reflect the public's perception of a company's value (Khoiryah & Taufik, 2022). In 2022, 66.48% of Indonesia's population accessed the internet, up from 62.10% in 2021, with 67.88% of the population owning a mobile phone (BPS, 2022) quoted from the snapcart website. The increase in the share price of telecommunication companies is associated with favorable profitability prospects, supported by an increase in overall service and data rates (Qolbi & Dewi, 2017).

Table 1. Average ROA, EPS, DER, PER, and Telecom Subsector Share Prices from 2019 to 2023

Variable	2019	2020	2021	2022	2023
Stock Price (%)	1653.25	1536.65	2753.92	3633.34	3921.86
LENGTH (%)	0.04	0.04	0.04	0.04	0.03

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EPS	81.64	85.85	77.9	117.89	111.37
DER (%)	1.38	1.3	1.3	1	0.97
PER	39.07	33.27	58.3	55.88	47.62

Source: Bloomberg 2019-2023

Table 1 illustrates that the performance of telecommunications companies from 2019 to 2023 has shown significant dynamics, especially with the share price rising from 1653.25 in 2019 to 3921.86 in 2023, reflecting strong investor confidence. However, ROA (Return on Assets) remained stable at 0.04 until 2022 but fell to 0.03 in 2023, indicating challenges in asset utilization efficiency. EPS (Earnings Per Share) peaked at 117.89 in 2022 but dropped to 111.37 in 2023, likely due to rising operating costs and increased competition. The DER (Debt to Equity Ratio) fell from 1.38 in 2019 to 0.97 in 2023, indicating improved financial management. Meanwhile, the PER (Price Earnings Ratio) showed fluctuations, peaking at 58.30 in 2021 and falling to 47.62 in 2023, reflecting uncertainty in the telecommunications sector. As a result, stock prices have risen, investors should consider additional performance indicators for a comprehensive understanding of the company's overall health.

THEORETICAL BACKGROUND

Signaling Theory

The signaling theory, introduced by (Spence, 2002) in "Job Market Signaling," argues that information owners send signals that can be interpreted by the receiver, who then adjusts their behavior. Rossi, as referenced by Levina & Dermawan, (2019), adds that company executives can convey information to potential investors regarding the expected increase in stock prices.

Exchange Theory

The trade-off theory describes the relationship between a company's capital structure and value, suggesting that companies can increase their debt levels when their profits exceed the associated costs. Nini, (2022) further explains that high leverage can increase the value of a company, but only until the risk of bankruptcy becomes excessive.

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Stock Price

Stock prices reflect the value of stocks in the capital market at a given time, influenced by supply and demand dynamics (Khoiryah & Taufik, 2022). A share certificate signifies a holder's ownership in the issuing company (Andreas et al., 2021). Changes in stock prices reflect the performance of the issuing company; When a company performs better, its profits tend to increase.

Profitability

Return on Assets (ROA) is a critical profitability ratio that measures the profit generated from a company's total assets, calculated by dividing net profit by total assets (Sriwahyuni & Maulana, 2022). Investors often prioritize these ratios to maximize their returns.

Earnings Per Share (EPS)

Earnings Per Share (EPS) is the ratio that assesses the net profit after tax for each outstanding share, which is obtained by dividing net income by the number of shares (Utami et al., 2023) citing an article from (Samosir et al., 2024). Companies that achieve high EPS are in a better position to reinvest or distribute profits to shareholders in the form of dividends.

Leverage

Debt-to-equity ratio (DER) is a leverage ratio that describes a company's capital structure by comparing total debt to total equity (Malindo, 2024). DER indicates a balance between debt and equity, with an increase in DER signaling increased risk to the company. DER also assists stakeholders, including investors and management, in assessing the company's financial health and making informed decisions.

Investment Policy

The Price Earnings Ratio (PER) compares a company's share price to its earnings, serving as a profitability metric (Sriwahyuni & Maulana, 2022). A higher PER indicates greater investor interest, which has the potential to drive up stock prices (Andreas et al., 2021). Using PER, investors can determine whether a stock is overvalued or undervalued in the current market context.

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The Relationship Between Profitability and PER

The profitability ratio is very important to evaluate a company's ability to generate profits in relation to its revenue, assets, or equity (Widyawati et al., 2022). A higher ROA signifies a stronger financial performance (Indirwan et al., 2023) by a billion (Zakaria, 2021). Both ROA and Price Earnings Ratio (PER) play an important role in investment analysis.

Hypothesis 1: Profitability is believed to positively influence investment decisions.

The Relationship Between Income and Investment Decisions

Earnings Per Share (EPS) represents the net income available for distribution to each shareholder. When EPS rises, the demand for stocks generally increases, as more investors are motivated to invest in the company. Greater EPS fluctuations are associated with more significant changes in stock prices (Hermanto, 2020), similar to the article by Dwiyanti and Imronudin (2024).

Hypothesis 2: Income is believed to positively influence investment decisions.

The Relationship Between Leverage and Investment Decisions

Leverage ratios, such as the Debt to Equity Ratio (DER), indicate a company's ability to meet short-term and long-term financial obligations (Hermanto, 2020), similar to the article (Dwiyanti & Imronudin, 2024). Rising debt levels can reduce solvency and increase investment risk, potentially leading to lower stock prices and PER (Sijabat & Suarjaya, 2018).

Hypothesis 3: Leverage is considered to have a positive effect on investment decisions.

The Relationship Between Profitability and Stock Price

The profitability ratio, especially Return on Assets (ROA), is used to measure a company's ability to generate profits and assess the effectiveness of its operational management. ROA serves as the primary benchmark for evaluating a company's performance, with the gains generated from asset utilization contributing to an increase in the company's value as seen in the stock price (Zakaria, 2021).

Hypothesis 4: Profitability is believed to have a positive impact on stock prices.

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The Relationship Between Earnings and Stock Prices

Earnings Per Share (EPS) measures the profit attributable to each share owned by shareholders. An increase in EPS can increase the value of stocks, as investors often focus on earnings per share growth. Many investors tend to buy stocks when EPS increases, making year-over-year changes in EPS indicators important for evaluating a company's performance (Khoiryah & Taufik, 2022).

Hypothesis 5: Earnings are believed to affect stock prices positively.

The Relationship Between Leverage and Stock Prices

Leverage ratios, such as debt-to-equity ratios (DERs), are essential for evaluating a company's capital structure and helping investors assess potential returns against the associated risks before making investment choices. Conversely, if debt is managed effectively to drive growth, leverage can increase profits and attract investors' attention, potentially leading to higher stock prices (Firdaus & Ika, 2019).

Hypothesis 6: Leverage is believed to have a positive impact on stock prices.

The Relationship Between Investment Decisions and Stock Prices

The Price-to-Price Earnings Ratio (PER) measures the relationship between a company's earnings and its stock price, serving as a measure to assess a company's valuation based on profits. Conversely, a low PER can reflect a lack of market confidence in the company's growth prospects, potentially leading to a stable or declining stock price (Nainggolan et al., 2019).

Hypothesis 7: Investment decisions are thought to have a positive influence on stock prices.

The Relationship Between Profitability and Stock Price with Investment Decisions as an Intervention Variable

Profitability, which is assessed through Return on Assets (ROA), indicates a company's ability to generate profits from its assets and serves as a key indicator for investors. When a high ROA is paired with a high Price-to-Earnings Ratio (PER), it signals market optimism about the company's future profit growth. PER can strengthen

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the relationship between profitability and stock prices (Arvila, 2020) articles (Gunadi et al., 2019).

Hypothesis 8: Investment decisions are believed to mediate the effect of profitability on stock prices.

The Relationship Between Income and Stock Price with Investment Decisions as Intervention Variables

Earnings Per Share (EPS) reflects the net profit generated by a company for each outstanding share; the higher the EPS, the greater the potential profits available to distribute to shareholders. Variations in the PER can significantly affect investors' perception of a company's liquidity (Leluni et al., 2023).

Hypothesis 9: Investment decisions are thought to mediate the impact of income on stock prices.

The Relationship Between Leverage and Stock Price with Investment Decisions as Intervention Variables

The Debt to Equity Ratio (DER) measures the extent to which a company uses debt versus equity to finance its operations. High leverage can convey mixed signals to investors, depending on how debt is leveraged. However, a high DER can also indicate increased financial risk, as substantial debt obligations can deplete financial reserves and increase the risk of default, making investors more cautious and potentially causing stock prices to fall (Hermanto, 2020) similar to the article (Bui et al., 2023).

Hypothesis 10: Investment decisions are believed to mediate the effects of leverage on stock prices.

Theoretical Framework

The proposed framework for this study is outlined as follows:

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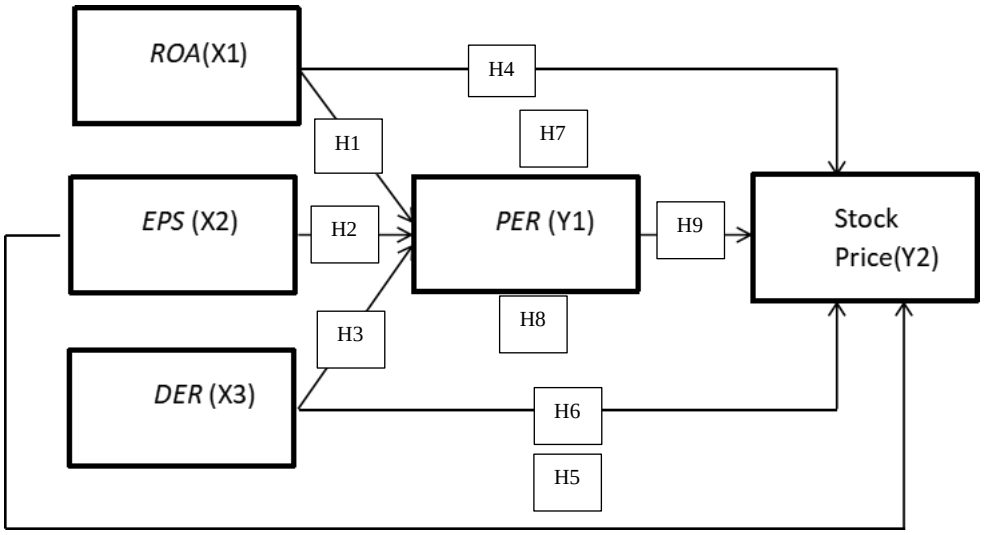

Figure 1. Theoretical Framework

RESEARCH METHODOLOGY

In this study, the intervention variable was Price Earnings Ratio (PER). This study consists of independent and dependent variables, which are defined as follows.

Table 2. Operational Variables

Research Variables	Operational Definition	Indicators	Source
Stock price	Stock price at current closing value	Closing Price	**(Nainggolan et al., 2019)**
Return of assets (ROA)	A ratio that indicates a company's ability to maintain and improve its financial position without incurring greater financial risks	$LENGTH = \frac{Net\ Income}{Total\ Assets} X100\%$	**(Andreas et al., 2021)**
Earnings Per Share (EPS)	Ratios that measure management's effectiveness in generating profits for shareholders	$EPS = \frac{Net\ Income}{Outstanding\ Shares}$	**(Nainggolan et al., 2019)**

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Debt to Equity Ratio (DER)	Financial ratios that show the proportion of debt and equity used to finance business assets |	$DER = \frac{Total\ Debt}{Total\ Capital}\ x\ 100\%$	**(Aulia & Muniarty, 2019)**
Price Revenue Ratio (PER)	Ratios used for financial analysis to estimate stock price valuations and assist investors in assessing growth expectations and investment risks	$PER = \frac{Stock\ Price}{Earnings\ per\ Share}$	**(Nainggolan et al., 2019)**

Source: Research Journal 2019-2022

In this study, the population consists of telecommunication companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. A total population of 22 companies is registered. From the identified population, purposive samples from 18 companies were selected over a five-year period. This sample includes companies that published comprehensive annual reports on www.idx.co.id during the 2019-2023 period. The data for this study is sourced from the annual report available on the Indonesia Stock Exchange, which consists of secondary data. Data analysis in this study was carried out using SmartPLS software version 3. SmartPLS was chosen for this study due to its limited sample size and the complexity of the model built, allowing for thorough and detailed analysis.

Measurement Model (Outdoor Model)

Validity Testing

Validity testing is carried out to assess whether the processed research data is valid. This test evaluates the completeness of the data for each variable. The validity assessment phase includes several evaluations, such as convergent validity, discriminant validity, and extracted mean variance (AVE). If the results are deemed valid, further testing can be resumed.

Reliability Testing

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Reliability testing involves a series of evaluations aimed at assessing the consistency of the data collected. These tests reflect the reliability of the measurement tools used to collect research data. Reliability is assessed through composite reliability, with a variable considered reliable if it produces a value greater than 0.7.

Structural Model Testing (Inner Model)

This test aims to predict the causal relationship between variables in the study. The assessment of the structural model includes the following components:

Coefficient of Determination (R2)

The determination coefficient evaluates the strength of the prediction model based on independent variables. According to (Hair et al., 2014) quotes from (Usakli, 2018), the influence is considered strong if the value is 0.75, medium if it is 0.50, and low if it is 0.25. Therefore, a higher determination coefficient indicates a more effective model in research.

Q2 Predictive Relevance

Predictive relevance measures the extent to which the observed values generated by the research model and its indicators are aligned. If this value is greater than zero, the research model is considered to have predictive relevance; conversely, if it is less than zero, the model is considered to have insufficient predictive relevance (Ghozali and Latan, 2015) citing an article from (Lim & Hawthorn, 2024).

Hypothesis Testing

The hypothesis test in this study uses structural equation modeling (SEM) analysis using SmartPLS 3.0. SEM not only confirms the theory but also reveals whether there is a relationship between independent variables (Ghozali, 2012) citing an article from (Anderson, 2022). The conclusion of the hypothesis test is based on the path coefficient obtained from the analysis of the deep model. If the t-statistical value exceeds the t-table value of 1.96 (α = 5%), the proposed hypothesis is accepted. The equations for the research model are formulated as follows:

$$\eta 1 = \gamma 1\xi 1 + \gamma 1\xi 2 + \gamma 1\xi 3 + \varsigma 1$$

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$$\eta 2 = \gamma 1\xi 1 + \gamma 1\xi 2 + \gamma 1\xi 3 + \varsigma 1$$

Where:

ξ	=	Independent variable
η	=	dependent variable
λx	=	Independent variable loading factor
Λy	=	Dependent variable loading factors
γ	=	Coefficient of Effect of Independent Variables on Dependent Variables
ς	=	error

Model Evaluation

Measurement models, or external models, are assessed using reflective indicators based on convergent and discriminant validity, as well as composite reliability for indicator blocks. The structural model, or inner model, is evaluated by examining the percentage of variance described, utilizing R^2 for exogenous latent construction and the Stone-Geisser Q^2 test. In addition, the magnitude of the structural path coefficient is analyzed. Stability is assessed using a t-statistic test derived from the bootstrapping procedure. Thus, the complete model is arranged as follows:

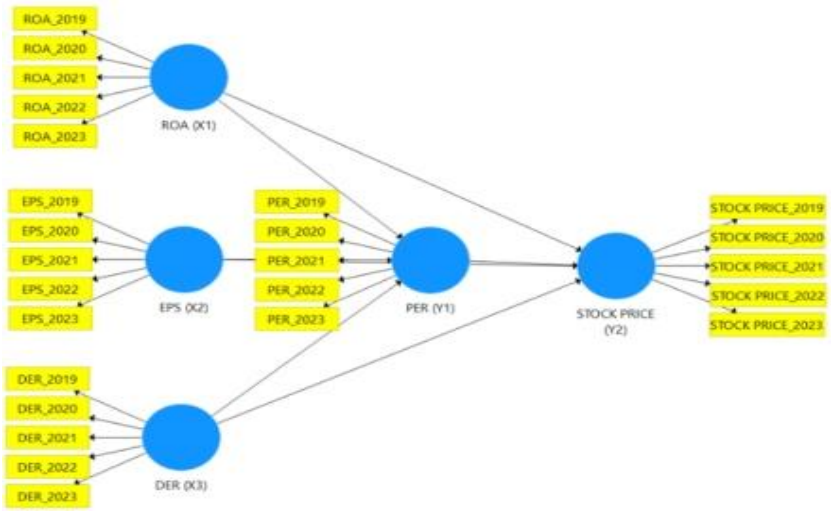

Figure 2. PLS display for Aloga

RESULTS AND DISCUSSION

Validity Testing

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This evaluation was carried out using a measure of convergent validity in the PLS. The convergent validity value for each indicator can be observed through the outer loading value. Individual indicators are considered valid if their external loading value exceeds 0.70, according to Chin (1998) citing an article from (Purwanto & Sudargini, 2021). An indicator is considered to have good reliability if its outer loading value is greater than 0.50 (Purwanto & Sudargini, 2021). In this study, a loading factor threshold of 0.50 will be applied.

Table 3 Outer Loading Values

	DER	EPS	PER	ROA	STOCK PRICE
X3.1	0.819				
X3.2	0.858				
X3.3	0.854				
X3.4	0.788				
X3.5	0.785				
X3.1	0.819				
X3.2	0.858				
X3.3	0.854				
X3.4	0.788				
X2.1		0.524			
X2.2		0.883			
X2.3		0.855			
X2.4		0.876			
X2.5		0.675			
Z1			0.821		
Z2			0.831		
Z3			0.854		
Z4			0.807		
Z5			0.884		
X1.1				0.851	
X1.2				0.876	
X1.3				0.821	
X1.4				0.802	

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X1.5	0.79	
Y1		0.893
Y2		0.865
Y3		0.889
Y4		0.839
Y5		0.824

Source: Data processed using PLS, 2025

Reliability Testing

Table 4 Convergent Validity and Reliability Results

	Alpha Cronbach	rho-A	Composite Reliability	Average Variance Extracted (AVE)
DER	0.879	0.879	0.912	0.675
EPS	0.826	0.863	0.879	0.601
PER	0.895	0.897	0.923	0.705
ROA	0.885	0.887	0.916	0.686
STOCK PRICE	0.914	0.915	0.935	0.744

Source: Data processed using PLS, 2025

The results of the measurement model test presented in Table 4.4 show that all variables have an Alpha Cronbach value exceeding 0.7 and an AVE value greater than 0.5, confirming that the construct shows good validity.

A variable is considered reliable if its Alpha Cronbach is greater than 0.7 and the reliability of the composite is also above 0.7. As shown in Table 4.6, all variables had composite reliability values exceeding 0.7 and Alpha Cronbach values greater than 0.7, indicating that the constructs showed good reliability.

Structural Model Testing (Inner Model)

Structural models with R-squared values above 0.19 are classified as "weak", while values above 0.33 are considered "moderate", and R-squared above 0.67 indicate a "good" model (Ghozali, 2006: 27). The following table presents the adjusted R-squared values for construction.

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Table 5 R-Square Output

	R Square	R Square Customized
PER	0.796	0.793
STOCK PRICE	0.822	0.818

Source: Data processed using PLS, 2025

The interpretation of the R-square (R^2) output for the stock price-dependent variable is 0.79. This shows that the variables X1 (Return on Assets), X2 (Earnings Per Share), and X3 (Debt to Equity Ratio) account for 79% of the variance of the dependent variable Y (Share Price). The remaining 21% was explained by other variables not included in this study.

Research Model

The output of the data analysis is as depicted in the figure below:

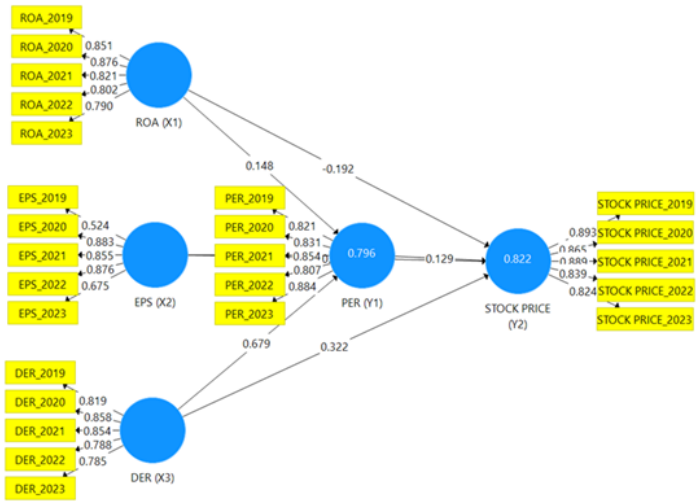

Figure 2. PLS Display for Loading Factor

The significance of the hypothesis in the test can be assessed by examining the P-value and T-value, which are obtained through bootstrapping in the path coefficient and the specific indirect effects table. A P-value below 0.05 indicates significance at a level of 5%, and the path coefficient is considered significant if the t-statistic exceeds 1.96. To analyze the impact of the relationship between variables, the path coefficient was evaluated: a path coefficient of less than 0.30 indicates a moderate effect; a coefficient between 0.30 and 0.60 indicates a strong effect; and a coefficient greater than 0.60

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signifies a very strong effect. The significance test results for each hypothesis are detailed in the table below

Table 6. Results Hypothesis Test

	Original Sample (O)	**Average Sample (M)**	**Standard Deviation (STDEV)**	**Statistics T**	**P-Value**
THE > PER	0.679	0.675	0.070	9.694	0.000
DER STOCK PRICE>	0.322	0.324	0.065	4.919	0.000
EPS -> PER	0.153	0.155	0.068	2.231	0.013
EPS -> STOCK PRICE	0.614	0.614	0.075	8.209	0.000
PER -> STOCK PRICE	0.129	0.127	0.063	2.061	0.020
LENGTH -> PER	0.148	0.152	0.051	2.890	0.002
ROA -> STOCK PRICE	-0.192	0.189	0.048	4.040	0.000
DER -> PER -> SHARE PRICE	0.088	0.086	0.043	2.033	0.021
EPS -> PER -> STOCK PRICE	0.020	0.020	0.015	1.302	0.097
ROA -> PER -> SHARE PRICE	0.019	0.018	0.010	1.838	0.033

Source: Data processed using PLS, 2025

The results of the analysis provide valuable insights into the testing of each hypothesis proposed:

1. **Profitability Has a Positive Effect on Investment Policy**

   The results of the first hypothesis test revealed that the X1 (Return on Assets) variable had an original sample value of 0.148 when associated with the Z variable (PER), indicating a positive relationship between the two. With a T-statistic of 2.890, which exceeds the threshold of 2.001, and a P-value of 0.002, which is less than 0.05, the

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null (Ho) hypothesis is rejected, and the alternative hypothesis (H1) is accepted. Thus, it can be concluded that Return on Assets has a significant impact on PER. The first hypothesis of profitability having a positive impact on investment policy—accepted.

2. **Significant and Positive Impact of Investment Policy**

   The results of the hypothesis test showed that the X2 variable (Earnings Per Share) had an original sample value of 0.153 over the Z variable (PER), indicating a positive relationship. The T-statistic of 2.231 exceeds 2.001, and the P-value of 0.013 is less than 0.05, leading to the rejection of the null (Ho) hypothesis and the acceptance of H2. It can be concluded that Earnings Per Share have a positive effect on PER. The second hypothesis that income has a significant and positive impact on investment policy—accepted.

3. **Positive Leverage Affects Investment Policy**

   The results of the hypothesis test showed that the X3 (Debt to Equity Ratio) variable had an original sample value of 0.679 when it was related to the Z variable (PER), indicating a positive relationship. With a T-statistic of 9.694, which far exceeds 2.001, and a P-value of 0.000, which is below 0.05, the null (Ho) hypothesis is rejected, and H3 is accepted. It can be concluded that the Debt to Equity Ratio has a positive effect on PER. The third hypothesis that leverage has a positive impact on investment policy—accepted.

4. **Profitability Affects Stock Prices Negatively**

   The results of the hypothesis test showed that the X1 variable (Return on Assets) had an original sample value of -0.192 over the Y variable (Stock Price), indicating a negative relationship. A T-statistic of 4.040 is greater than 2.001, and a P-value of 0.000 is less than 0.05, resulting in the acceptance of the null (Ho) hypothesis and the rejection of H4. Thus, it can be concluded that Return on Assets has a negative impact on the Stock Price. The fourth hypothesis of profitability positively affects stock prices—rejected.

5. **Positive Earnings Affect Stock Price**

   The results of the hypothesis test showed that the X2 variable (Earnings Per Share) had an original sample value of 0.614 against the Y variable (Share Price), showing

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a positive correlation between the two. With a T-statistic of 8.209, which exceeds the threshold of 2.001, and a P-value of 0.000, which is less than 0.05, the null (Ho) hypothesis is rejected, and the alternative hypothesis (H5) is accepted. Therefore, it can be concluded that Earnings Per Share has a positive effect on the Share Price. The fifth hypothesis that income has a positive impact on the stock price—accepted.

6. **Positive Leverage Affects Stock Prices**

   The results of the hypothesis test revealed that the X3 (Debt to Equity Ratio) variable had an original sample value of 0.322 over the Y variable (Stock Price), which showed a positive relationship. The T-statistic of 4.919 is greater than 2.001, and the P-value of 0.000 is less than 0.05, leading to the rejection of the null (Ho) hypothesis and the acceptance of H6. Therefore, it can be concluded that the Debt to Equity Ratio has a positive effect on the Stock Price. The sixth hypothesis is that leverage positively affects the stock price—accepted.

7. **Investment Policy Has a Positive Effect on Stock Prices**

   The results of the hypothesis test showed that the Z variable (PER) had an original sample value of 0.129 over the Y variable (Stock Price), indicating a positive relationship. The T-statistic of 2.061 exceeds 2.001, and the P-value of 0.020 is less than 0.05, resulting in the rejection of the null (Ho) hypothesis and the acceptance of H7. Therefore, it can be concluded that the PER variable has a positive effect on the Stock Price. The seventh hypothesis that investment policy has a positive impact on stock prices—accepted.

8. **Investment Policy Mediates the Effect of Profitability on Stock Prices**

   The results of the hypothesis test showed that the Return on Assets variable affected the Stock Price, with PER serving as the intervention variable, resulting in the original sample value of 0.019. This shows a positive relationship between exogenous and endogenous variables, mediated by intervention variables. The T-statistic of 1.838 was less than 2.001, and the P-value of 0.033 was less than 0.05, leading to the rejection of the null (Ho) hypothesis and the acceptance of H8. Thus, it can be concluded that the Return on Assets significantly affects the Stock Price through the PER variable. The eighth hypothesis that investment policy mediates the influence of profitability on stock prices—accepted.

9. **Investment Policy Does Not Mediate the Influence of Profit on Stock Prices**

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The results of the hypothesis test for Earnings Per Share by Stock Price, with PER as the intervention variable, showed the original sample value of 0.020. This shows a positive relationship between exogenous and endogenous variables, mediated by intervention variables. The T-statistic of 1.302 is less than 2.001, and the P-value of 0.097 is greater than 0.05, leading to the acceptance of the null (Ho) hypothesis and the rejection of H9. The ninth hypothesis that investment policy mediates the effect of income on stock prices—is rejected.

10. **Investment Policy Mediates the Influence of Leverage on Stock Prices**

The results of the hypothesis test showed that the Debt to Equity Ratio variable affected the Stock Price, with PER as the intervention variable, resulting in an original sample value of 0.088. This shows a positive relationship between exogenous and endogenous variables, mediated by the intervention variables. The T-statistic of 2.033 exceeds 2.001, and the P-value of 0.021 is less than 0.05, leading to the rejection of the null (Ho) hypothesis and the acceptance of H10. The tenth hypothesis of investment policy mediates the effect of leverage on stock prices—accepted

DISCUSSION

This discussion discusses the issues formulated earlier. It will examine the acceptance of the research hypothesis, providing supporting evidence or explanations for any rejections. The analysis used the Partial Least Squares (PLS) method, using SmartPLS version 3 software, and was arranged as follows:

1. **The Impact of Profitability on Investment Policy**

The findings of the research and the results of hypothesis testing show that Return on Assets (ROA) has a positive effect on the Price Earnings Ratio (PER) of telecommunication companies listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2023. These findings are in line with research conducted by Farusda (2022), which concluded that ROA has a positive effect on PER.

2. **The Impact of Profit on Investment Policy**

The findings of the study show that income positively influences investment policy. In particular, along with the increase in Earnings Per Share (EPS), so did PER. When

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EPS rises, the demand for stocks increases, as more investors tend to invest in the company. Conversely, if EPS is lower, the reported net profit for shareholders will decrease, resulting in reduced investor interest (Qotimah and Kalangi, 2023).

3. **The Impact of Leverage on Investment Policy**

   The results of hypothesis testing show that leverage has a positive impact on investment policy. This suggests that an increase in the debt-to-equity ratio (DER) correlates with a higher PER. These findings are consistent with research by Farusda (2022), which highlights the significant impact of DER on PER. As a result, the market may be willing to pay a premium for each unit of profit generated, resulting in a higher PER.

4. **The Impact of Profitability on Stock Prices**

   The findings of the study show that profitability has a positive effect on stock prices. However, the results also show that ROA negatively impacts the stock price, suggesting that an increase in ROA could lead to a decline in the stock price. These findings contradict previous studies by Utami et al. (2023) and Andreas et al. (2021), which confirmed that ROA significantly has a positive effect on stock prices.

5. **Impact of Income on Stock Price**

   Research findings and hypothesis testing suggest that earnings have a significant positive direct effect on stock prices. These results are in line with previous studies by Khoiriyah (2022) and HM Hasibuan & Septian Rahman (2023), which confirmed that EPS has a significant impact on stock prices. Furthermore, research by Setiawati (2020) and Atmikasari et al. (2020) shows that profitability has a positive impact on company value.

6. **The Impact of Leverage on Stock Prices**

   Findings from research and hypothesis testing show that leverage has a significant positive direct effect on stock prices. These results are consistent with previous research by Khoiriyah (2022) and Ahmadi & Rahmani (2019), which stated that DER has a significant positive influence on stock prices.

7. **The Impact of Investment Policy on Stock Prices**

   Research findings and hypothesis testing show that investment policy has a significant positive direct effect on stock prices. These findings are consistent with

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previous research by Farusda (2022) and HM Hasibuan and Septian Rahman (2023), which confirmed that PER significantly affects stock prices.

8. **The Role of Investment Policy Mediation in the Relationship Between Profitability and Stock Prices**

   Based on the findings of the research and the results of hypothesis testing, it can be concluded that the Return on Assets (ROA), through the PER variable, significantly affects the stock price. The combination of high ROA and PER signals positive market sentiment, indicating efficiency and strong growth prospects, which ultimately boosts investor confidence and pushes stock prices upwards. These findings are consistent with the research of Ahmadi & Rahmani (2019), which showed that PER can moderate the relationship between ROA and stock price.

9. **The Mediating Role of Investment Policy in the Relationship Between Income and Stock Prices**

   Based on the findings of the research and hypothesis testing conducted, it can be concluded that Earnings Per Share (EPS), through the Earnings Price Ratio (PER), does not have a significant impact on the stock price. These findings contradict previous research by HM Hasibuan and Septian Rahman (2023), which indicated that PER can moderate the effect of EPS on stock prices.

10. **The Role of Investment Policy Mediation in the Relationship Between Profitability and Stock Prices**

    The findings of the study and the results of hypothesis testing show that the debt-equity ratio (DER), through the PER variable, has a significant impact on the stock price. This shows that the PER effectively mediates the relationship between the DER and the stock price. The PER serves as an important indicator of a company's market valuation, reflecting the associated risks and potential returns associated with its capital structure. As DERs increase, investors can use PER to evaluate whether a company remains financially attractive, thus influencing their investment decisions and stock prices. These findings support previous research by Ahmadi & Rahmani (2019), which showed that PER can moderate the relationship between Return on Assets (ROA) and stock prices.

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CONCLUSION

Based on the findings of the research and discussion on the factors that affect stock prices—in particular profitability, revenue, and leverage—with investment policies acting as intervention variables in telecommunications companies listed on the Indonesia Stock Exchange from 2019 to 2023, the following conclusions can be drawn:

1. Profitability has a significant positive impact on investment policy.
2. Income significantly has a positive impact on investment policy.
3. Leverage significantly has a positive impact on investment policy.
4. Profitability significantly negatively impacts stock prices.
5. Revenue significantly has a positive impact on the stock price.
6. Leverage significantly has a positive impact on stock prices.
7. Investment policy has a significant positive impact on stock prices.
8. Investment policies effectively mediate the influence of profitability on stock prices.
9. Investment policies do not effectively mediate the influence of income on stock prices.
10. Investment policies effectively mediate the influence of leverage on stock prices.

Based on the discussion and conclusions drawn from this study, the following recommendations are proposed that the Company should prioritize increasing profitability by reducing costs and increasing efficiency to attract investors. In addition, they must innovate and adjust their strategies to remain competitive and maintain stock price stability. Future research should cover a wider range of variables, including external factors such as macroeconomic conditions and government policies that may affect capital markets. Longitudinal studies are also recommended to analyze long-term trends in how these variables affect stock prices.

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