EARNING PER SHARE AND DEBT TO EQUITY RATIO ON STOCK RETURN OF INDUSTRIAL SECTOR MANUFACTURE CABLE COMPANIES IN INDONESIA

Unggul Prayoga Ningtyas[1]✉, Faizal Ridwan Zamzany[2], Ummu Salma Al Azizah[3]
[1,2,3]University Of Muhammadiyah Prof. Dr. Hamka
✉ unggulprayoga45@gmail.com
[1,2,3]Jalan Raya Bogor Km.23 No 99 Rambutan Jakarta

Abstract

This study aims to determine and analyze the effect of Earning Per Share and Debt to Equity Ratio on Stock Return of industrial sector manufacture cable companies in Indonesia. The test results of multiple correlation coefficient analysis (R) stated that there was a very strong relationship between the independent variable and the dependent variables. Simultaneous test results show that the Earning Per Share and Debt to Equity Ratio variables simultaneously affect Stock Return. The results of the coefficient of determination (R^2) by looking at the Adjusted R-squared which means that the variation influenced by the Earning Per Share and Debt to Equity Ratio variable while the other is influence by other variable that are not described in this studied.

Keywords: earning per share; debt to equity ratio; stock return; manufacture

INTRODUCTION

Currently the stock price as an indicator to measure the success of the company's success, where market power is indicated by selling company shares in the capital market reflecting the company's value in the eyes of the public. society, if the stock price of a company is high then the value of the company in the eyes of the community is also good and vice versa. Return on shares is the result of investing in invested funds that investors can enjoyed by investor (Almira, 2020). Therefore, the stock price is very important for the company.

From one of the financial statement variables there is a debt equity ratio which is a ratio that compares the amount of debt to equity. This ratio is important by investors because the capital used by the company will greatly determine the survival of the company. Companies that have debt that is too high compared to equity, the company in this case has a high risk of bankruptcy so that it can harm investors. The stock price is the biggest concern for the company, if the company's stock price is high or higher then the directors & management are happy. The stock price is an indicator of the company's overall strength, if the company's share price continues to get higher then this shows that the company and its management are doing their job very well.

To find out how the company's financial performance there must be a measuring tool used to measure the performance and stock returns in the future. Financial ratio analysis is a measuring tool that is often used by investors and companies. Financial ratios are used to determine how well the company is performing to evaluate where the company can improve itself. From the results of this financial ratio will be seen the health condition of the company. Short- and medium-term investors are generally more interested in the short-term financial condition and the company's ability to pay adequate dividends.

This ratio explains the proportion of sources in long-term funding to company assets. Thus, the higher this ratio, the higher the company's financial risk. Earning Per Share (EPS) is a ratio that shows the profit share for each share. EPS describes the company's profitability which is reflected in each share.

Earning Per Share (EPS) is the level of profit obtained by investors per share which is recorded the higher the EPS value means an increase in the level of profit per share owned by investors (Aisah and Mandala, 2016). This is reinforced by empirical evidence conducted by Wahyuni (2017) which states that EPS has a positive effect on stock returns.

Debt to Equity Ratio is a financial ratio used to assess debt and company equity. This is reinforced by empirical evidence conducted by Sondakh, Parengkuan, and Mangantar (2017) has a significant effect on stock returns.

According to Hardiningsih in (Hendrata, 2018), Return is the result obtained from investments in the form of realized returns and investment returns. Based on previous research that uses Earning Per Share (EPS) where research from (Yosep, Farida, and Dewa., 2017) and (Rianti and Leo, 2015) has no significant effect on stock returns. While reseearch conducted by (Gilang, 2015) & (Almira, 2020) has a significant effect on stock returns.

Based on previous research that uses Debt to Equity Ratio (DER) where research from (Legiman, Parengkuan, and Untu., 2015) and (Irman, Okalesa and Hadi., 2018) has no significant effect on stock returns. Meanwhile, the research conducted by (Basalama, Murni, and Sumarauw., 2017) and (Sondakh, Parengkuan, and Mangantar, 2017) has a significant effect on stock returns.

METHOD

This research uses a case study method, because the nature and types of data are secondary. This means that the researcher acts as a second party because it is not obtained directly. In this study, the variables studied were divided into two major groups, namely the independent variable and the dependent variable. This study uses a sample of cable manufacturing companies listed on the Indonesia Stock Exchange in the 2016-2019 period.

The population in this study are all manufacturing companies in the cable sub- sector listed on the Indonesia Stock Exchange as many as 6 companies.

Table 1. List of Company Names that are Population

Company Code	Company Name
IKBI	Sumi Indo Kabel Tbk
JECC	Jemblo Cable Company Tbk
KBLI	KMI Wire and Cable Tbk
KBLM	Kabelindo Murni Tbk
SCCO	Supreme Cable Manufacturing and Commerce Tbk
VOKS	Voksel Electric Tbk

The independent variables are the resulting variables, namely the factors that are measured, manipulated or selected to choose the interaction between the observed or observed reality. The independent variable is the variable that hypnotizes or causes the change or occurrence of certain variables. The independent variable in this study is EPS & DER for the 2016-2018 period. Dependent variable are factor that are observed and measured to determine the influence of independent variable, factor that appear, or do not appear, or change according to those introduce by the researcher. The dependent variable in this study is stock returns on cable manufacturing companies listed on the IDX for the 2016-2019 period.

RESULTS

The classical assumption test using data normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The result showed that the data were normally distributed. Earning per Share (EPS) and Debt to Equity Ratio (DER) variables as variable X simultaneously affect Stock Return as variable Y.

Hypothesis testing aims to determined the relationship between the independent variable and dependent variables. In addition, this test can explain the effect of the independent variable on the dependent variable partially (T test) and simultaneously (F test).

Partial test aims to determine the partial effect of the independent variable on the dependent variable. The criteria for accepting the hypothesis are as follows: H0 is accepted if –t table t count t table and sig < 0.05 and H0 is rejected if t count < -t table or t count > t table and sig < 0.05. From the Table 2, the results of the analysis with a 5% confidence level can be obtained, namely as follows: (1) The effect of the Earning Per Share (EPS) variable on Stock Return produces a t-count value of $3.128517 >$ t table $(0.05;27) = 2.05183$ and the significance value is smaller than $= 0.05$, which is 0.0042, so from the results of the analysis it is stated

that H01 is rejected and H11 is accepted, which means that there is a partially significant effect between the Earning Per Share (EPS) variable on Stock Return; (2) The effect of the Debt to Equity Ratio (DER) variable on Stock Return produces a t-count value of $1.644175 <$ t table $(0.05;27) = 2.05183$, with a significance value greater than $= 0.05$ Which is 0.1117, so from the results of the analysis it is stated that H02 is accepted and H12 is rejected, which means that there is no partial significant effect between the Debt to Equity Ratio (DER) variable on Stock Return.

Table 2. Classic Assumption Test

Dependent Variable: Return				
Method: Least Squares				
Date: 08/22/21 Time:06:16				
Sample: 130				
Included Observations: 30				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.738168	3.761729	0.727902	0.4729
EPS	0.774754	0.247643	3.128517	0.0042
DER	4.996596	3.038967	1.644175	0.1117
R-squared	0.269570	Mean dependent var.		12.77067
Adj. R-squared	0.215464	S. D. dependent var.		7.506887
S. E. of regression	6.649153	Akaike info criterion		6.721495
Sum. squared resid.	1193.703	Schwarz criterion		6.861615
Log likelihood	-97.82243	Hannan-Quinn criter.		6.766321
F-statistic	4.982264	Durbin-Watson stat.		1.192321
Prob(F-statistic)	0.014398			

Simultaneous test aims to determined the overall or simultaneous effect between the independent variables on the dependent variable. F test criteria, namely H0 is accepted if f count < f table and sig > 0.05 then H0 is rejected if f count > f table and sig > 0.05. Based on table 17 above, the results of the analysis state that the calculated f value is $4.982264 >$ f table $(2;27) = 2.08$ with a statistical probability value of $0.014398 < 0.05$ so it can be concluded that H03 is rejected and H13 is accepted, which means there is a simultaneous influence between Earning Per Share (EPS) and Debt to Equity Ratio (DER) to Stock Return.

Multiple Correlation Coefficient (R) R = $\sqrt{R2}$ = $\sqrt{0.269570}$ = 0.51920, it means that the coefficient value is still not close to 1, so the correlation between X and Y variables is sufficient.

The coefficient of determination seen from the value of Adjusted $R2$ in the table with a value of 0.215464 means that the variation influenced by the EPS and DER variables is 0.215464 then 21% while for other variables that are not used, it is 79%.

DISCUSSION

The results of the partial test analysis between Earning Per Share (EPS) on Stock Return states that the EPS variable has a significant effect on Stock Return. This is evidenced by the value of t count $3.128517 >$ t table $(0.05;27) = 2.05183$ and the significance value is less than $= 0.05$, which is worth 0.0042.

The results of the regression analysis conducted using eviews 11 state that the EPS variable has a positive coefficient value of 0.774754 and has a direct relationship with Stock Return. This shows that if the EPS variable increases by 1%, the Stock Return or constant value will increase by 0.774754 or equivalent to 77.4%.

The results of this study are supported by several previous studies including Aisah & Mandala (2016) which states that the earning per share variable has a positive and significant effect on stock returns. This shows that the increased EPS will determine the company's ability to generate profits so that the return expected by investors is more than the shares it owns. This ability is also a concern for investors in investing in the future by looking at the quality of the company's performance in generating profits. So that if the increasing number of investors who invest their funds in the company, it will increase the quality of stock prices.

The results of the partial test analysis between the Debt to Equity Ratio (DER) on Stock Return stated that the Debt to Equity Ratio (DER) variable had no significant effect on Stock Return. This is evidenced by the t arithmetic value of $1.644175 <$ t table $(0.05;27) = 2.05183$, with a significance value greater than $= 0.05$, which is 0.1117.

The results of the regression analysis conducted using eviews 11 state that the Debt to Equity Ratio (DER) variable has a positive coefficient value of 4.996596 and has a direct relationship with the Debt to Equity Ratio (DER). This shows that if the DER variable increases by 1%, the Stock Return or constant value will decrease by 4.996596 or equivalent to 499.6596%.

The results of this study are supported by several previous studies including Legiman, Parengkuan & Untu (2015) which states that the Debt to Equity Ratio (DER) variable has no significant effect on stock returns. This study explains that there is no effect of DER on stock returns because investors think that the high value of DER indicates the amount of debt owned by the company so that it can be borne by investors later. However, there is a thought for other investors that debt is something that can be needed for the company to fulfill the company's operations.

For this reason, debt has a positive side for the company in developing its business by increasing the capital owned so that by increasing capital it will attract investors to buy company shares. Then, increasing investors who invest will increase the company's stock price and stock returns will also increase. This is a company goal in improving company performance. With the increase in capital by having assets that are greater than the liabilities to be paid, this can be overcome by the company in order to minimize the net profit that will be generated by investors.

These results are shown by f arithmetic 4.982264 > f table (2;27) = 2.08 with a statistical probability value of 0.014398 < 0.05. These results are supported by several previous studies, namely Basalama, Murni & Sumarauw (2017) in their research which states that simultaneously the independent variables have a significant influence on the related variables.

CONCLUSIONS

The result of the study state that the Earning Per Share (EPS) variable partially has a significant and positive effect on Stock Return. The results of the analysis are in line with the accepted hypothesis. It can be concluded that the high and low EPS ratio is very influential on Stock Return. This can be caused because EPS is one of the hopes for investors in investing. EPS is also a measuring tool for the company's performance in generating profits. For this reason, companies are required to have the ability to generate higher profits than share capital. Thus, it is possible that the company will be able to return investors' shares greater than the shares it owns.

The result of the study stated that the Debt to Equity Ratio (DER) variable didn't have a significant effect on Stock Return partially. This can be caused because debt owned by a company is not necessarily a good or bad company performance. Therefore, companies that have debt is one way or a certain goal in every company in developing the company's business. In addition, with the increase in the business owned, it will generate profitable profits so that the debts or obligations of the company can be overcome by the company.

The conclusion is related to the variable Earning Per Share (EPS) and Debt to Equity Ratio (DER) as variable X simultaneously affects Stock Return as variable Y. The test results of multiple correlation coefficient analysis (R) stated that there was a very strong relationship between the independent variable and the dependent variable. The results of the coefficient of determination (R2) by looking at the Adjusted R-squared value of 0.215464 which means that the variation influenced by the Earning Per Share (EPS) and Debt to Equity Ratio (DER) variables is 21% while the other 79% is influenced by other variables that are not described in this study.

REFERENCES

Afriyanti, M. 2011. Analysis of the influence of Current Ratio, Total Asset Turnover, Debt to Equity Ratio, Sales and Size on ROA, Diponegoro University Thesis Semarang.

Amaliah, I. 2012. Effect of Current Ratio (CR), Quick Ratio (QR), Net Profit Margin (NPM), Return On Assets (ROA), Earning Per Share (EPS), Return On Equity (ROE), Debt to Equity Ratio (DER) and Price Book Value (PBV) of the Share Prices of Property and Real Estate Companies Listed on the IDX. Journal of Accounting and Finance, Vol. 3 No.1 Pg. 121-130.

Arista, D. and Astohar. 2012. Analysis of Factors Affecting Stock Returns. Journal of Applied Management and Accounting Sciences, Vol. 3, No. 1.

Basalama, I. S., Murni, S., and Sumarauw, J. S. B. 2017. The Effect of Current Ratio, DER and ROA on Stock Returns in Automotive and Component Companies for the Period 2013-2015. Emba's Journal. Vol. 5, No. 2. https://ejournal.unsrat.ac.id/index.php/emba/article/viewFile/16395/15895. Accessed March 15, 2020

Brigham, E.F., and J. Houston. 2004. Fundamentals of Financial Management. Translator Ali Akbar Yulianto. Tenth Edition. Indonesian Edition. Book II. Jakarta: Four Salemba.

Brigham, F.E., Houston, J.F., 2010. Fundamentals of Financial Management. Tenth Edition, Volume 1,

Jakarta, Salemba Empat.

Darmaji, T. and Fakhrudin. 2011. Capital Market in Indonesia. Jakarta: Four Salemba. Edition 3.

Dessy, A. 2012. Analysis of Factors Affecting Stock Returns (Case Of Manufacturing Companies That Go Public On IDX Period 2005 - 2009).

Fakhruddin, H. M. 2008. Capital Market Terms A-Z. Jakarta: PT Elex Media Komputindo.

Mahardhika, P. A. 2016. Effect of Current Ratio and Debt To Equity Ratio on ROA. Widyakala. Vol. 3, pp 23 – 28.

Sondakh, F. 2015. Current Ratio, Debt To Equity Ratio, Return On Assets, Return On Equity Their Effect on Stock Prices on the LQ 45 Index on the IDX 2010-2014 Period. EMBA Journal. Thing. 749-756.

Sondakh., P. Tommy., M. Mangantar. 2015. Current Ratio, Debt to Equity Ratio, Return On Assets, Return On Equity Effect on Stock Prices on LQ 45 Index in BEI Period 2010-2014. EMBA Journal. Vol.3 No.2, p. 749-756.

Sondakh, F., Parengkuan, T., and Mangantar, M. 2017. Current Ratio, Debt To Equity Ratio, Return On Assets, Return On Equity Their Effect on Stock Prices on the Lq 45 Index on the IDX Period 2010-2014. Emba's Journal. https://ejournal.unsrat.ac.id/index.php/emba/article/view/8716. Accessed March 15, 2020.

Watung, V. 2016. The Influence of Return On Assets (ROA), Net Profit Margin (NPM) and Earning Per Share (EPS) Towards Stock Price On Banking Company in Indonesian Stock Exchange of Period 2011-2015. EMBA Journal. Thing. 518-529.

Weston, F, 2008. Financial Management. Tenth Edition. Publisher: Binarupa Aksara, Jakarta.