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

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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 (R²) 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 research conducted by (Gilang, 2015) & (Almirat, 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, Okaesia 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 and sig < 0.05 and H0 is rejected if 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>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>2.738168</td>
<td>3.761729</td>
<td>0.727902</td>
<td>0.4729</td>
</tr>
<tr>
<td>EPS</td>
<td>0.774754</td>
<td>0.247643</td>
<td>3.128517</td>
<td>0.0042</td>
</tr>
<tr>
<td>DER</td>
<td>4.996596</td>
<td>3.038967</td>
<td>1.644175</td>
<td>0.1117</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.269570</td>
<td></td>
<td></td>
<td>12.77067</td>
</tr>
<tr>
<td>Adj. R-squared</td>
<td>0.215464</td>
<td></td>
<td></td>
<td>7.506887</td>
</tr>
<tr>
<td>S. E. of regression</td>
<td>6.649153</td>
<td></td>
<td></td>
<td>6.721495</td>
</tr>
<tr>
<td>Sum. squared resid.</td>
<td>1193.703</td>
<td></td>
<td></td>
<td>6.861615</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-97.82243</td>
<td></td>
<td></td>
<td>6.766321</td>
</tr>
<tr>
<td>F-statistic</td>
<td>4.982264</td>
<td></td>
<td></td>
<td>1.192321</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.014398</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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) $R = \sqrt{R^2} = \sqrt{0.269570} = 0.51920$, 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 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 \( f \text{ arithmetic } 4.982264 > f \text{ table } (2;27) = 2.08 \) 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 \( (R^2) \) 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.

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