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THE INFLUENCE OF EARNING PER SHARE (EPS) AND PRICE EARNING RATIO (PER) ON STOCK RETURN IN MINING SECTOR COMPANIES LISTED ON THE ISE PERIOD 2016-2018

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Denilla Zaskya Dewi, Dwi Rahyuningtyas, Afista Chandra Saeful Anwar, Arfi Pratama Ramadhan, Fitri Sukmawati. The Influence of Earning Per Share (Eps) And Price Earning Ratio (Per) On Stock Return in Mining Sector Companies Listed On The Ise Period 2016-2018-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(4), 3520-3525. ISSN 1567-214x

Keywords: EPS, PER, and Stock Return.

ABTRACT

This study aims to determine whether EPS and PER affect stock return in mining sector companies listed on the ISE for the period of 2016-2018. The independent variable is earning per share and price earning ratio, while the dependent variable is stock return. The research method used in this research is descriptive and verification methods. The population in this study were mining sector companies listed on the ISE in the 2016-2018 period, amounting to 41 companies. While the number of samples is 21 companies Analysis of the data used is panel data regression analysis using Eviews 9. The results of partial and simultaneous research show that EPS and PER affect stock return. In addition, the magnitude of the effect of EPS and PER on stock returns of 57.0%.

Keywords: EPS, PER, and Stock Return.

1. INTRODUCTION

The capital market is a place to connect investors with companies or government institutions. This function shows the important role of the capital market in supporting the economy because the capital market can connect those who need funds with those who have excess funds and can encourage the creation of efficient fund allocations. In addition, those who have excess funds (investors) can choose investment alternatives that provide returns the most optimal. The advantage in owning shares is getting dividends, getting capital gains and also having a vote for ordinary shareholders (Fahmi, 2015). Stock return is the result or profit of an investment made by investors who have the same goal which is to maximize investment return (Tandelilin, 2010). Return consists of realized returns and expected returns. Realized return is a return that has occurred, while expected return has not occurred (Jogiyanto, 2014).

One sector on the Indonesia Stock Exchange shows that index index performance is still not optimal, one of which is mining sector companies. As quoted from the article cnbcindonesia.com in 2018, it shows that the share price of the mining sector has been devastated due to the decline in world oil and coal prices. Several companies in mining experienced a decline in stock index performance.

Basically every investor makes an investment aiming to make a profit. Therefore it is necessary to do a financial ratio analysis before making an investment decision. Some ratios that can be used as indicators to measure the extent of return obtained between EPS and PER. EPS is a ratio that reflects the company's ability to generate profits for each outstanding share (Darmadji & Fakhrudin, 2012). PER is the ratio between market price per share and EPS to the expected revenue growth must also increase (Fahmi, 2015). Based on the background of the research that has been described previously, it is interesting to conduct further research on the effect of EPS and PER on stock return on mining sector companies listed on the ISE for the period of 2016-2018.

2. LITERATURE REVIEW

Stock Return

Stock return is the rate of return in the form of compensation obtained from the sale and purchase of shares (Fahmi, 2015). According to Fahmi (2015) stock returns can be calculated using the following formula:

$$\mathbf{R} = \frac{\mathbf{P_t} - \mathbf{P_{(t-1)}}}{\mathbf{P_{(t-1)}}}$$

Information :

R = Stock return

P_t = Current stock price

P_{t-1} = Share price of the previous period

Earning Per Share (EPS)

EPS is a ratio that reflects the company's ability to generate profits for each outstanding share (Darmadji & Fakhrudin, 2012). According to Darmadji & Fakhrudin (2012) EPS can be calculated using the following formula:

$$\mathbf{EPS} = \frac{\textbf{Laba Bersih}}{\textbf{Jumlah Saham Beredar}}$$

Price Earning Ratio (PER)

PER is the ratio between market price per share and EPS to the expected revenue growth should also increase (Fahmi, 2015). According to Fahmi (2015) the PER can be calculated using the following formula:

$$\mathbf{PER} = \frac{\textbf{Harga Saham}}{\textbf{Earning Per Share}}$$

Kerangka Pemikiran

The Influence of Earning Per Share on Stock Return

Earning per share is a comparison between net income after tax in one financial year with the number of shares issued. The higher earning per share is consequently the higher the demand for company shares and causes the stock price to rise, and vice versa. So the earning per share increases, the stock price will rise as well as stock returns. Earning per share growth is a picture of the company against the results of operations run by the company. For investors, earning per share information is the information that is considered the most basic and useful, because it can describe the prospects of corporate earnings in the future (Tandelilin, 2010). Based on the description above, the hypothesis that is formed is:

H_1: EPS affects stock return

The Influence of Price Earning Ratio on Stock Return

Price earning ratio is the ratio between the market price of a stock with the earnings per share of the stock in question. The greater the price earning ratio of a stock, it states that the stock is more expensive to net income per share. If the price earnings ratio increases, the stock price will also increase as well as stock returns. So the price earning ratio has a positive relationship with stock returns. the higher the price-earnings ratio of a company, investors have good expectations about the development of the company so that they are willing to pay dearly for earnings per share and will ultimately have an impact on changes in stock prices and stock returns (Sudana, 2011). Based on the description above, the hypothesis that is formed is:

H_2: PER affects stock returns

H_3: EPS and PER affect stock returns

Below will be described a frame of mind chart as a form of researcher's thought flow, namely as follows:

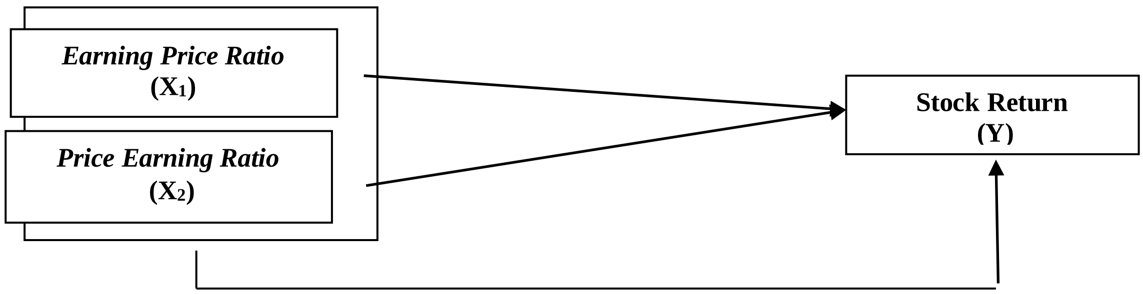

Figure 1. Framework

2. RESEARCH METHODOLOGY

The type of research used is quantitative research. The research methodology is descriptive and verification. The population of this study is the mining sector companies listed on the Indonesia Stock Exchange for the 2016-2018 period, totaling 41 companies, while the total sample size is 21 companies.. Types and sources of data used are secondary data in the form of company financial reports sourced from www.idx.co.id (Indonesia Stock Exchange). The independent variable is earnings per share and price earnings ratio, while the dependent variable is stock returns. The data analysis used is panel data regression analysis using Eviews Vers 9.

4. RESEARCH AND DISCUSSION

Results

Tabel 1. Panel Data
(Common Effect Model)

Variable	Coefficient
C	-0,585080
Earning Price Ratio	0,156890
Price Earning Ratio	0,199391

Source: Eviews Output Results

Based on table 1. above shows that the regression equation model formed is:
$Y = -0{,}585080 + 0{,}156890\ X_1 + 0{,}199391\ X_2 + e$
Based on the regression equation above shows that the variable EPS and PER has a direction of positive influence on stock return.

Tabel 2. Partial Hypothesis Testing

Variable	t Value	Probability Value	Result
Earning Price Ratio	4,793>1,987	0,0000<0,05	H_1 Accepted
Price Earning Ratio	3,852>1,987	0,0003<0,05	H_2 Accepted

Source: Eviews Output Results
Based on table 2. above shows that partial EPS and PER affect stock return.

Tabel 3. Simultaneous Hypothesis Testing

Variable	F Value	Probability Value	Result
Earning Price Ratio & Price Earning Ratio	39,805>3,15	0,0000<0,05	H_3 Accepted

Source: Eviews Output Results

Based on table 3. above shows that simultaneous EPS and PER ratio affect stock return.

Tabel 4. Determination Coefficient Testing

Variable	Value	Persentase
R-squared	0,570	57,0%

Source: Eviews Output Results
Based on table 4. above shows that the magnitude of the effect of EPS and PER on stock return of 57.0%.

DISCUSSIONS

The Influence of EPS on Stock Return

The results showed that EPS affect stock return. The results of this study are also supported by previous discussions which show that the higher EPS is consequently the higher the demand for company shares and causes the stock price to rise, and vice versa. So the EPS increases, the stock price will rise as well as stock returns. EPS growth is a picture of the company against the results of operations run by the company. For investors, EPS information is the information that is considered the most basic and useful, because it can describe the prospects of corporate earnings in the future (Tandelilin, 2010). This research is supported by Juwita (2012), Hermawan (2012), Hidajat (2018). The results of his research show that EPS affect stock return.

The Influence of PER on Stock Return

The results showed that the PER affected stock returns. The results of this study are also supported by previous discussions which show that the greater the price earning ratio of a stock, it states that the stock is more expensive to net income per share. If the price earnings ratio increases, the stock price will also increase as well as stock returns. So the PER has a relationship with stock return. the higher the PER of a company, investors have good expectations about the development of the company so that they are willing to pay dearly for EPS and will ultimately have an impact on changes in stock prices and stock returns (Sudana, 2011). This research is supported by Juwita (2012). The results of his study showed that the PER affects stock returns. While this research is not supported by Andansari et al (2016). The results of his research indicate that the PER has no effect on stock returns.

The Influence of EPS and PER on Stock Return

The results showed that EPS and PER affect stock returns. The results of this study are also supported by previous discussions which show that stock returns are returns in the form of rewards obtained from the sale and purchase of shares. Some factors that influence stock returns include EPS and PER. The higher EPS is consequently the higher the demand for company shares and causes the stock price to rise, and vice versa (Tandelilin, 2010). In addition to EPS, PER is also a factor that can affect stock returns. The higher the ratio of PER of a company, investors have good expectations about the development of the company so that they are willing to pay dearly for EPS and will ultimately have an impact on changes in stock prices and stock returns (Sudana, 2011: 23). So the higher the EPS and PER, the higher the stock return.

5. CONCLUSIONS AND SUGGESTION

Conclusions

1. EPS affect stock return. So the higher the EPS, the higher the stock return.
2. PER affects your return. So the higher the PER, the higher the stock return.
3. EPS and PER affect stock return. So the higher the EPS and PER, the higher the stock return.

Suggestion

1. For companies

a. Increase EPS by improving the financial performance and management of the company in obtaining the company's net profit through increasing company sales, as well as increasing the efficiency of costs or operating expenses of the company. Increase the PER by increasing the company's stock price in the capital market by increasing the performance of the company's stock capital compared to the profit of each share.

b. Increase the company's stock price by increasing the company's stock price through enhancing the company's financial and management performance. In addition, there is an assessment or risk management in dealing with macroeconomic factors (inflation, interest rates, etc.) to minimize risks that can impact on declining share prices.

2. For Further Researchers

It is recommended for further researchers not to focus only on the variables in this study, but can add other variables outside of this study that would have an effect on stock returns. It is recommended for researchers to further use research subjects such as companies in other sectors listed on the Indonesia Stock Exchange. And it is recommended for further researchers to always use the research period with the latest year. These are intended to provide a broad and up-to-date picture of the company's stock returns.

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