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The Effect of Earning Per Share (EPS), Return On Equity (ROE), and Net Profit Margin (NPM) on the Stock Price of Manufacturing Companies Listed on the BEI Period 2017 - 2019

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ABSTRACT

The purpose of this study was to examine the effect of Earning Per Share (EPS), Return On Equity (ROE) and Net Profit Margin (NPM) on stock prices in manufacturing companies listed on the IDX for the 2017-2019 period. Sampling was carried out using purposive sampling method, and obtained 97 manufacturing companies multiplied by 3 years so as to obtain a sample of 291 companies used as samples in this study. The secondary data source in this study comes from the IDX. The analysis technique in this study uses multiple linear analysis. Based on partial results show that Earning Per Share (EPS) has a significant effect on stock prices, Return On Equity (ROE) has a significant effect on stock prices and Net Profit Margin (NPM) has no effect on stock prices.

Keywords: Earning Per Share, Return On Equity, Net Profit Margin, Stock Price.

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INTRODUCTION

Along with the times, the economy in Indonesia is currently experiencing rapid growth from time to time. This growth is in line with the era of economic globalization faced by the world community. Economic growth can lead to changes in people's values, patterns of life, and patterns of thinking and people begin to have hopes for a better welfare life. Today's society has an increasing desire to invest its funds, whether in the form of deposits, stocks, or other forms of investment. Basically, investment is the placement or investment of a number of funds or capital with the aim of obtaining profit, security and growth of the funds secured in the future. Of course, before making an investment, investors must make careful calculations or considerations.

Investment activities can be carried out through the capital market. The capital market is a market for various long-term financial instruments that can be traded, including bonds, mutual funds, stocks, derivative instruments and other instruments. The capital market is a meeting place for two

parties, namely investors and issuers. Investors act as parties who have funds. Meanwhile, the issuer is a business entity
(companies) that need capital and issue securities for trading. (Pratama & Erawati, 2016) The capital market in Indonesia is the Indonesia Stock Exchange (IDX).

Before investing, an investor must analyze the condition and financial statements of a company, where the company's financial statements usually reflect the condition of the development or success or failure of a company. (Lutfi & Sunardi, 2019). The goal is for investors to get a clearer picture of the company's ability to continue to grow and develop, so that there are no regrets or losses in the future.

Supply and demand usually affect the price of a stock. Usually the supply and demand for a stock is influenced by internal and external factors of a company. Internal factors are factors related to the level of company performance controlled by the company's management. (Sha, 2017). These internal factors include dividend policy, company liquidity, company profitability, debt and equity ratios, and other financial ratios. While external factors are things beyond the ability of company management to control, such as changes in exchange rates, political issues, high inflation rates, deposit interest rates, and others. The share price also reflects the value of a company. If the company achieves good performance, the shares will be in great demand by investors. Investors in conducting analysis usually choose the manufacturing industry as their object because the manufacturing industry is one of the main sectors on the Indonesia Stock Exchange (IDX) which can reflect the state of the capital market. In addition to the large number of companies, the average investor prefers to invest in manufacturing companies.

One sector that is interesting to study is manufacturing companies. Manufacturing companies are companies that process raw goods into semi-finished or finished goods so as to add value to these goods. The growth of manufacturing industry companies holds a dominant position in the development of the economy in Indonesia because it is directly related to the purchasing power of everyday people.

Earning Per Share (EPS) is a ratio used to measure the company's ability to generate profits per share. Pratama and Erawati's research (2014) states that Earning Per Share (EPS) has a significant effect on stock prices. Abdullah (2016) states that Earning Per Share (EPS) has no influence on stock prices.

Return On Equity (ROE) is a ratio used to measure the level of profit by comparing net profit after tax with total equity. Pratama and Erawati (2014) state that Return On Equity (ROE) has a significant effect on stock prices. Abdullah (2016) states that Return On Equity (ROE) has no effect on stock prices.

Net Profit Margin (NPM) is a ratio that shows how much percentage of net profit investors get from each share sale. This ratio interprets the company's level of efficiency, namely the extent to which the company's ability to reduce its operating costs in a certain period. The greater this ratio, the better because the company's ability to earn profits through sales is quite high and the company's ability to reduce its costs is quite good. Conversely, if this ratio goes down, the company's ability to earn profits through sales is considered quite low. Hutami (2012) states that Net Profit Margin (NPM) has a significant effect on stock prices, while according to Pratama and Erawati's research (2014) states that Net Profit Margin (NPM) has no significant effect on stock prices.

Based on the description and previous research, there are differences in the results of the previously described research, so researchers are interested in testing again, namely regarding "The Effect of Earning Per Share (EPS), Return On Equity (ROE) and Net Profit Margin (NPM) on the Share Price of Manufacturing Companies Listed on the IDX Period 2017 - 2019)"
Based on this, the problem formulation in this study is as follows:
a. Is there an effect of Earning Per Share (EPS) on stock price?
b. Is there an effect of Return On Equity (ROE) on stock price?
c. Is there an effect of Net Profit Margin (NPM) on stock price?

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METHODS

In this study the method used is quantitative research methods. The type of data used by researchers is secondary data, the data used is the company's financial statements obtained from the list of companies listed on the Indonesia Stock Exchange for the period 2017 - 2019. In obtaining secondary data, namely through idx (www.idx.co.id) on companies listed on the Indonesia Stock Exchange. The population in this study are manufacturing companies listed on the IDX for the period 2017 - 2019 with a total of 195 companies. The sample is a subset of the population, consisting of several members of the population (Rizal, 2018). Researchers used *purposive sampling* method and obtained a selected sample of 291 manufacturing companies that met certain criteria. So the number of research samples (n) for three years is 97 x 3 = 291 samples. The data analysis steps of this study consist of Descriptive Statistical Test, Classical Assumption Test, Multiple Linear Regression Analysis, Hypothesis Test, and Determination Coefficient. The analysis technique used is Multiple Linear Regression.

RESULTS AND DISCUSSION

Data Collection Results

The following are descriptive statistics of 97 sample companies that meet the criteria in this study as follows:

Table 1. Descriptive Statistics

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Earning Per Share	291	0,00	0,89	0,0783	0,15099
Return On Equity	291	0,00	4,37	0,1524	0,33130
Net Profit Margin	291	0,00	1,90	0,0920	0,16834
Share Price	291	3,91	11,34	6,8879	1,48818

Source: Data processed by SPSS, 2021.

Earning Per Share

The highest *earning per share* value based on the data that has been presented is 0.89 owned by the company Mandom Indonesia, Tbk in 2017. Meanwhile, the lowest earning *per share* value of 0.00 is owned by the Ashimat Flat Glas, Tbk company in 2019. The average *earning per share of* manufacturing companies is 0.0783 with a standard deviation of 0.15099.

Return On Equity

The highest *return on equity* value based on the data that has been presented, namely 4.37, is owned by the herbal and pharmaceutical industry company Sido, Tbk in 2018. Meanwhile, the lowest return on *equity* value of 0.00 is owned by Sekar Bumi, Tbk in 2019. The average *return on equity of* manufacturing companies is 0.1524 with a standard deviation of 0.33130.

Net Profit Margin

The highest *net profit margin* value based on the data that has been provided is 1.90 owned by the company Merck, Tbk in 2019. While the lowest *net profit margin* value of 0.00 is owned by the Sekar Bumi, Tbk company in 2019. The average *net profit margin of* manufacturing companies is 0.0920 with a standard deviation of 1.48818.

Share Price

The highest value of share price is owned by Gudang Garam Tbk company of 11.34 in 2017. Meanwhile, the lowest share price value is owned by the Indo Acidatama, Tbk company of 3.91 in 2017. The average share price value of manufacturing companies is 6.8879 with a standard deviation value of 1.48818.

Classical Assumption Test

Data Normality Test

The normality test in this study uses the *normal probability plot* graph method. Based on the *output of* SPSS 21, it can be obtained that the graph shows the points are near the diagonal line. So it can be concluded that the regression model is normally distributed.

Multicollinearity Test

Table 2. Multicollinearity Test

No.	Variables	*Tolerance*	VIF	Conclusion
1	*Earning Per Share*	0,996	1,004	No Multicollinearity
2	*Return On Equity*	0,612	1,633	No Multicollinearity
3	*Net Profit Margin*	0,612	1,633	No Multicollinearity

Source: SPSS 21 *output*, 2021.

Based on the table of multicollinearity test results above, the VIF and *tolerance* values *of the* independent variables are obtained. The VIF value of *earing per share* is 1.004, VIF *return on equity* is 1.633 and VIF *net profit margin* is 1.633. The VIF value of each independent variable shows that it is below 10, meaning that there is no multicollinearity. Meanwhile, the *tolerance* value of *earning per share* is 0.996, the *tolerance value of return on equity* is 0.612 and the tolerance value of *net profit margin* is 0.612. The *tolerance* value of the independent variables results in that it is above 0.1, meaning that there is no multicollinearity.

Autocorrelation Test

In this study, the autocorrelation test criteria according to Gunawan (2017) are shown as follows:

Table 3. Autocorrelation Test Criteria

Durbin Watson	Description
< 1,10	There is Autocorrelation
1.10 to 1.54	No Conclusion
1.55 to 2.46	No Autocorrelation
2.46 to 2.90	No Conclusion
>2,91	There is Autocorrelation

Source: Gunawan (2017)

The results of the autocorrelation test in the study amounted to 1.812. This is based on the autocorrelation criteria that in this study there is no autocorrelation. The following autocorrelation results in SPSS *output* are shown in the table:

Table 4. Autocorrelation Test Results

Durbin Watson	Description
< 1,812	No Autocorrelation

Source: SPSS 21 *output*, 2021

Multiple Linear Regression Analysis Results

Multiple linear regression analysis is used to determine the effect of independent variables, namely *earning per share, return on equity* and *net profit margin* on stock prices. The complete statistical calculations in multiple linear regression analysis are in the appendix and then explained in the following table:

Table 5. Regression Coefficient

No.	Description	*Unstandardized Coeeficients*
1.	Constant	6,491
2.	*Earning Per Share*	2,379
3.	*Return On Equity*	0,971
4.	*Net Profit Margin*	0,681

Source: SPSS *output* version 21, 2021.

Based on the table, the following equation is obtained:

$$\mathbf{Y = 6.491 + 2.379\ X_1 + 0.971\ X_2 + 0.681\ X_3}$$

Hypothesis Test

Test t (Partial Test)

The t test is used to determine the partial effect of the independent variables consisting of: *earning per share* (X_1), *return on equity* (X_2), *net profit margin* (X_3) on the dependent variable stock price (Y). The following will explain the testing of each variable partially.

Table 7. Results of t test (Partial Test)

No.	Variables	T	Sig	Description
1	*Earning Per Share*	4,375	0,000	Significant Effect
2	*Return On Equity*	3,072	0,001	Significant Effect
3	*Net Profit Margin*	1,095	0,275	No Significant Effect

Source: SPSS *output* version 21, 2021.

Before doing the t test (partial test) first determine the value of t_{tabel} at 5% or 0.05 with the formula $_{ttabel}$ = n - k so $_{ttabel}$ = 291 - 3 = 288. So the $_{t}$ table is 1.650 and for the $_{tcount}$ value can be seen in table 4.7 in the t column of each variable.

The results of the t test (partial test) of each independent variable on the dependent variable are as follows:

Hypothesis Testing$_1$: Effect of *Earning Per Share* on Stock Price

The tcount value of *earning per share* is 4.375 with a significance level of 0.000. Then obtained tcount (4.375) > $_{ttable}$ (1.650) at the significance limit of 0.05. The sig. value of the *earning per share* variable in the table is 0.000 less than α = 5% or 0.000 <0.05. So it can be concluded that H_1 is accepted, meaning that *earning per share* has a significant effect on stock prices.

Hypothesis Testing$_2$: Effect of *Return On Equity* on Stock Price

The tcount value of *return on equity* is 3.072 with a significance level of 0.001. Then obtained tcount (3.072) > $_{ttable}$ (1.650) at the significance limit of 0.05. The sig. value of the *return on equity* variable in the table is 0.001 less than α = 5% or 0.001 <0.05. So it can be concluded that H_2 is accepted, meaning that *return on equity* has a significant effect on stock prices.

Hypothesis Testing$_3$: Effect of *Net Profit Margin* on Stock Price

The tcount value of *net profit margin* is 3.072 with a significance level of 0.275. Then obtained tcount (1.095) < $_{ttable}$ (1.650) at the significance limit of 0.05. The sig. value of the *net profit margin* variable in the table is 0.275 greater than α = 5% or 0.275 <0.05. So it can be concluded that H_3 is rejected, meaning that *net profit margin* has no significant effect on stock prices.

Test Coefficient of Determination (R)^2

Table 8. Coefficient of Determination

R	R *Square*
0,360	0,130

Source: *Output*, SPSS version 21, 2021.

Based on the test results of the coefficient of determination (R^2), the coefficient of determination is 0.130. This figure shows that the influence of *earning per share, return on equity* and *net profit margin* on stock prices that can be explained in this regression model is 13%, while the remaining 87%. It is concluded that R^2 is close to 0, so the regression line is declared unfavorable.

DISCUSSION

Effect of *Earning Per Share* on Stock Price

The results of this study indicate that earning per share has an effect on stock prices. This is because the earning per share information of manufacturing companies for the 2017-2019 period contained in the financial statements is the main thing that investors pay attention to in making investment decisions. The value of earning per share in manufacturing companies in the 2017-2019 period has increased and decreased every year, as well as the stock price has increased and decreased so that there is a balance when earning per share increases, the stock price increases. If the profit distributed to investors is large, the earning per share increases, this makes investors interested in buying shares, so that the demand for shares increases and affects the company's stock price to increase as well.

Effect of Return On Equity on Stock Price

The results of this study indicate that return on equity has a significant effect on stock prices. This means that shareholders need to take into account the size of the return on equity value, because the size of the return on equity value affects changes in stock prices in the capital market. The return on equity assessment shows how the rate of return on the company's equity or own capital to generate net income if an increase in return on equity is achieved, there is also an increase in the welfare of investors who invest their capital in the intended company. It can be said that if the return on equity increases, investors are interested in investing their capital so that the company's share price will also increase.

Effect of Net Profit Margin on Share Price

The results of this study indicate that the net profit margin has no effect on stock prices in this study because Net Profit Margin does not measure the quality of the profit generated, namely whether the profit generated is obtained from operating profit or other profit. In addition, the company's ability to reduce costs carried out by the company is less efficient so that it will reduce investor confidence in investing in the company.

CONCLUSIONS

Based on this research, it can be concluded that *Earning Per Share* (EPS) has a significant effect on the stock price of manufacturing companies for the period 2017 - 2019, *Return On Equity* (ROE) has a significant effect on the stock price of manufacturing companies for the period 2017 - 2019 and *Net Profit Margin* (NPM) has no significant effect on the stock price of manufacturing companies for the period 2017 - 2019.

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