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Determinants of Earnings Per Share and Price Earnings Ratio to Share Prices in LQ45 Indexes Companies on the Indonesia Stock Exchange

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ABSTRACT

This study aims to determine the effect of Earning Per Share and Price Earnings Ratio on Stock Prices. The population in this study are Go-Public companies from the LQ45 Index listed on the Indonesia Stock Exchange during the 2017-2019 period. The sample selection technique in this study is purposive sampling, 36 companies have been acquired that meet the criteria for the study sample. The analytical tool used in this study is SPSS version 26. The results show that the simultaneous Earning Per Share and Price Earnings Ratio have a significant effect on the dependent variable, namely the Share Price at LQ45 Index Companies Listed on the Indonesia Stock Exchange for the 2017-2019 period. Partially, Earning Per Share and Price Earnings Ratio have a significant positive effect on Share Prices at LQ45 Index Companies Listed on the Indonesia Stock Exchange for the 2017-2019 period.

INTRODUCTION

The Indonesian capital market is currently functioning meaningfully and has grown rapidly in mobilizing the budget of investors who want to fund their specialty in stock capital which is very much liked in the capital market. Each deposit securities have a different business seriousness in the capital market. Some deposit securities are actively traded, but some other deposit securities led to the slowly character, Tandelilin (2010).

The seriousness of this stock business will result in the number of Stock Price Indicators which are a shadow of stock price movements and tomorrow will affect the ability of the money market in a totality way. One type of Stock Price Indicator in the Indonesian Impact money market that is very actively traded is the LQ45 Indicator which consists of 45 favorite stocks with large liquidity levels and large market investments and has been tested for some benchmark tests.

Evaluation of stock capital can be tried using elementary analysis. Elementary analysis for Darmadji (2012) is one method of stock evaluation by pursuing or observing various markers not only from industry data but also adrift of the big economic situation and the factory situation of an industry. The elementary analysis of the industry to be carefully reflected through Earning Per Share and Price Earnings Ratio.

Based on events that have been monitored, Earning Per Share, Price Earnings Ratio and Stock Price in the industry LQ45i indicator listed in the money market Impact of Indonesia 2017-2019 facing

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increases and shrinkage. Where this situation will be an estimate of investors in carrying out share capital.

The purpose of this research is to identify and analyze the consequences in a partial and simultaneous way between Earning Per Share and Price Earnings Ratio to Stock Prices in the LQ45 Indicator Industry listed in the Indonesia Impact money market for the 2017–2019-time frame. This research is expected to share benefits in increasing knowledge where investors are expected to analyze and quote provisions to sell or buy shares.

MATERIALS AND METHODS

The philosophy of signs was first coined by Michael Spence (1973) in his research entitled Job Market Signaling. This philosophy links 2 parties, namely parties in a kind of management that functions as parties who distribute signs and outsiders such as investors who function as parties who welcome signs. Michael Spence said that by sharing a sign or sign, the management seeks to share relevant data that can be used by investors. After that, the investor wants to familiarize his decision according to his understanding of the sign.

According to Sutrisno (2012), financial management or often said spending can be referred to as all industrial activities related to efforts to obtain industrial budgets at economical payments and efforts to use and distribute the budget in an efficient way.

According to Musdalifah Azis (2015) the stock price is the price in the real market, and is a price that is very easy to determine because it is the price of a stock in the market that is running or when the market is closed, until the market price is the closing price.

According to Kasmir (2012) is a comparison to measure the success of management in achieving profits for shareholders. Continuing to be a large Earnings Per Share figure certainly relieves shareholders because it continues to be a large profit held for shareholders. Profit comparisons prove the combination of liquidity and asset management and the role industry expertise plays in creating profits.

According to Fahmi (2012) *Price Earnings Ratio is an analogy of Market Price per Share (market price per share) with Earning Per Share (profit per share).*

On the basis of the above problems, the author proposes a hypothesis that is a provisional answer, where the hypothesis serves as a temporary conjecture. To measure with certainty the extent of the impact of Earning Per Shared and Price Earnings Ratio to Price on the industry indicator LQ45 listed in the Money Market Impact Indonesia.

H1: There is an important effect between Earnings Per Share-to-Share Price in the LQ45 indicator industry listed in the Indonesia Impact money market.

H2: There is an important consequence between Price Earnings Ratio to Stock Price in industry indicator LQ45.

The population in this research is the LQ45 indicator industry listed in the Indonesia Impact money market, which is 45 industries throughout the 2017-2019 period. The illustration collection method was tried using purposive sampling procedures with the aim of obtaining representative illustrations with benchmarks as follows: (1) Industries included in the LQ45 Index during the 2017-2019 period, (2) Companies that regularly report financial statements on the LQ45 Index during the 2017-2019 period, companies that meet purposive sampling criteria as many as 36 and not including as many as 9 companies because these companies do not regularly report financial statements on the LQ45 Index during the period 2017-2019.

RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

		Statistics		
		EPS	PER	Harga Saham
N	Valid	108	108	108
	Missing	0	0	0
Mean		404,9383	21,8773	9490,2685
Median		197,1500	17,0300	3730,0000
Std. Deviation		692,90137	31,46384	15621,42976
Minimum		-308,47	-138,80	344,00
Maximum		4049,62	208,72	83800,00

Based on the SPSS result table above, it is known that the variable Earnings Per Share has an average value of 404.93 with a middle value of 197.15. This variable also has a low value of -308.47 and a high of 4049.62. The variable Price Earnings Ratio has an average value of 21.87 with a median value of 17.03. This variable also has a low value of -138.80 and a high of 208.72. The variable stock price has an average value of 9,490.27 with a median value of 3,730. This variable also has a low value of 344 and a high of 83,800.

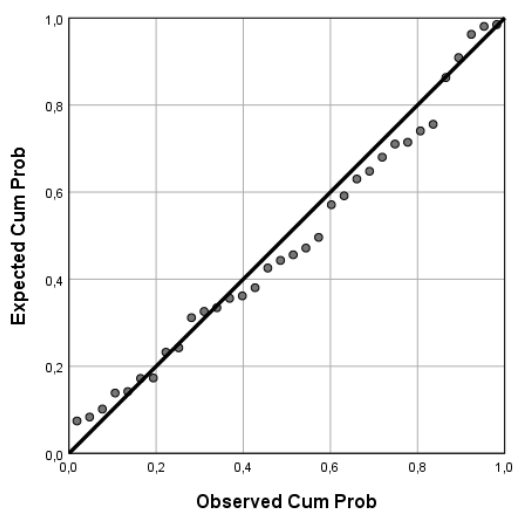


Figure 1. Normality Test

In the P-P Plot graph, it can be seen that the distribution of data can be said to be scattered around the straight line. Thus, it can be said that the requirements of normality can be met.

Table 2. Multicollinearity Test

		Coefficients ^a	
		Collinearity Statistics	
Model		Tolerance	VIF
1	EPS	,971	1,030
	PER	,982	1,019

a. Dependent Variable: Harga Saham

Multicollinearity experiments can be tried by looking at the Tolerance and Variance Inflation Factor (VIF) numbers from each elastic freely to the bound elastic. When the number $VIF < 10$, until the form is claimed there is no sign of multicollinearity (Suliyanto, 2011). From the results of the SPSS 26 experiment. 0 for windows reports that elastic Earning Per Share and Price Earnings Ratio are claimed to have no sign of multicollinearity until research can continue.

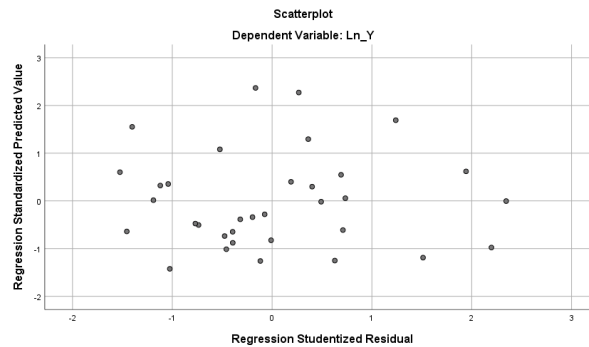


Figure 2. Normality Test

Based on the painting above, it is known that the points sow in a random way and scatter either above or below the value of 0 on the Y axis. This can be said that multiple linear regression analysis X1, and X2, to Y is really linear because it has heteroscedasticity problems so that multiple linear analysis can be continued.

Table 3. Autocorrelation Test

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	,785 ^a	,615	,608	9779,03914	1,645	

a. Predictors: (Constant), PER, EPS
b. Dependent Variable: Harga Saham

The results of the autocorrelation test in the table above show that the Durbin-Watson value is 1.645. Based on the type already found, Durbin-Watson numbers are listed in the range $1 < DW (1,645) < 2,35$ which means no autocorrelation is intertwined. It cannot be concluded that the double linear regression analysis tried does not have autocorrelation problems. Therefore, double linear analysis can be continued.

Table 4. R-Square Test

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	,785 ^a	,615	,608	9779,03914	1,645	

a. Predictors: (Constant), PER, EPS
b. Dependent Variable: Harga Saham

Based on the chart above we get the number Adjusted R Square = 0.608. Aiming that the free elastic (Earning Per Share and Price Earnings Ratio) can affect the limited elastic (Stock Price) by 60.8%. In contrast, the remaining 39.2% is influenced by aspects outside this form. To try the significance until the next output is used as the next:

Table 5. F-Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16070001549,752	2	8035000774,876	84,022	,000 ^b
	Residual	10041108683,461	105	95629606,509		
	Total	26111110233,213	107			

a. Dependent Variable: Harga Saham

Based on this chart proves F is 84.022 with probability Sig = 0.000. Because the probability of Sig is less than the degree of research experiment (Sig 0, 000 < 0.05) so independently X1 and X2 share important consequences in a simultaneous way to the finite elastic (Y).

Table 3. t-Test

Jel	Unstandardized Coefficients ^a		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	1163,778	1288,896		,903	,000
EPS	17,639	1,366	,782	12,912	,000
PER	54,109	30,084	,109	1,799	,000

Dependent Variable: Harga Saham

Based on the calculation chart above, the double linear regression analysis can be constructed the form of regression meetings and their significance as follows:

$$Y = 1163,778 + 17,639 X_1 + 54,109 X_2$$

The form of the double linear regression meeting can be referred to as follows:

1. The constants in the regression above prove that if there is no elastic Earning Per Share and Price Earnings Ratio up to the stock price figure of 1163,778.
2. The regression coefficient number on elastic Earnings Per Share (X1) is 17.639. It hereby reports that if EPS increases by one unit until the stock price increases by 17,639.
3. Regression coefficient number on elastic Price Earnings Ratio (X2) of 54,109 Hereby reports that if the PER increases by one unit until the stock price increases by 54,109.

There is an important consequence between Earnings Per Share-to-Share Price in the LQ45 indicator industry listed in the Indonesia Impact money market.

H1: There is a result between Earnings Per Share-to-Share Price in the LQ45 indicator industry listed in the Indonesia Impact money market.

The number of regression coefficients of Earnings Per Share is $bX_1 = 17.639$ with the number t amount of sig t = 0.000 because the number t number is smaller than the degree of experiment (sig t = 0,000 < 0.05) until obtained. Which means that there is an important effect of Earnings Per Share on the Stock Price of the industry LQ45 indicator listed in the Money Market Impact of Indonesia.

There is an important consequence between the Price Earnings Ratio to Stock Price in the LQ45 indicator industry listed in the Indonesia Impact money market. Statistical presumption results:

H2: There is a result between the Price Earnings Ratio to Stock Price in the LQ45 indicator industry listed in the Indonesia Impact money market.

The number of Price Earnings Ratio regression coefficient is $bX_2 = 54,109$ with the number t number of sig t = 0.000 because the number t number is smaller than the degree of experiment (sig t = 0,000 < 0.05) until obtained. Which means there is an important effect of Price Earnings Ratio to Industrial Stock Price LQ45 indicator listed in the Indonesia Impact money market.

There is an important effect between Earnings Per Share and Price Earnings Ratio, simultaneously or simultaneously with the Share Price in the LQ45 Indicator industry in the Indonesia Impact money market. Statistical presumption results:

H3: There is a result between Earning Per Share and Price Earnings Ratio in a simultaneous or simultaneous way to the Share Price in the LQ45 Indicator industry listed in the Indonesia Impact money market.

Because $R \neq 0$ and the probability of F are smaller than F table (Sig F < a is 0,000 < 0.05), until obtained which means that there are important consequences of Earning Per Share and Price Earnings Ratio in a simultaneous or simultaneous way to the Stock Price in the industry LQ45 indicator listed in the Indonesia Impact money market.

The results of the initial assumption that reported Earnings Per Share had a positive effect on the Stock Price, tested by the results of the information processing tried with the regression coefficient number $bX_1 = 17.639$ with t amount = 0.000 until this assumption was obtained, can be explained if Earning Per Share has an important impact on the Stock Price. This matter supports previous research by Munggaram, Mukaram, Sarah (2016) and Aletheari, Asli (2016) from their research proving that Earning Per Share has an important positive effect on Stock Prices and is not in line with Khairani's research (2016), in a partial way there is no effect of Earning Per Share on stock prices.

The results of the second assumption that reports the Price Earnings Ratio have a positive effect on the Stock Price, tested by the results of the information processing tried with the regression coefficient number $bX_1 = 54,109$ with t amount = 0.000 until this assumption is obtained, can be explained if the Price Earnings Ratio has an important effect on the Stock Price. This matter supports with previous research by Aletheari, Asli (2016) and Ratih, Apriatni, Saryadi (2013) that the Regression Coefficient of Price Earnings Ratio has an important positive effect on Stock Prices and is not in line with Prasetyo's research (2012), there is no important effect on the Price Earnings Ratio to stock prices.

Based on the assumption of the two elastics above, it proves that there is an important effect between Earning Per Share and Price Earnings Ratio to Share Price in the LQ45 Indicator industry in the Money Market Impact of Indonesia. This is because $R \neq 0$ and the probability of F are smaller than the degree of research experiment ($\text{Sig } F = 0,000 < 0,05$).

CONCLUSIONS

This research seeks to respond to the purpose of the research is to convince and explain the elastic Earnings Per Share, Price Earnings Ratio and Share Price in the industry LQ45 indicator listed in the Money Market Impact of Indonesia throughout the 2017-2019 period span. Based on the analysis of information and reviews and from the assumptions that have been compiled and tried in the previous section, until it can be concluded as follows:

1. From the results of testing the assumptions above, it can be concluded that Earning Per Share and Price Earnings Ratio have simultaneous or concurrent consequences on Share Prices in the industry LQ45 Indicator listed in the money market Impact of Indonesia throughout the 2017-2019 period span. Because $R \neq 0$ and probability F are smaller than the degree of research experiment ($\text{Sig } f < a = 0,000$). From the double assurance coefficient number, it can be explained that the elastics X_1 and X_2 have an effect on Y . Until that H_a is obtained and H_o is rejected, which means that there are important consequences in a simultaneous or simultaneous way between Earning Per Share and Price Earning Ratio to Stock Prices in the industry LQ45 indicator listed in the money market Impact of Indonesia throughout the 2017–2019 period.
2. From testing the assumption above, it can be concluded that there is an effect between Earnings Per Share and Stock Price. The regression coefficient of Earnings Per Share (X_1) is $bX_1 = 17.639$ with the number t amount of $\text{sig } t = 0,000$. Because the number t number is smaller than the number of experimental degrees ($\text{sig } t = 0,000 < 0,05$) until H_{1a} is obtained and H_{1o} is rejected. Partial Earnings Per Share has a positive and significant impact on the Share Price in the LQ45 Indicator industry listed on the Money Market Impact of Indonesia throughout the 2017-2019 period.
3. From testing the assumption above, it can be concluded that there is an effect between the Price Earnings Ratio to the Stock Price. The number of regression coefficient Price Earnings Ratio (X_2) is $bX_1 = 54,109$ with the number t amount of $\text{sig } t = 0,000$. Because the number t number is smaller than the number of experimental degrees ($\text{sig } t = 0,000 < 0,05$) until H_{2a} is obtained and H_{2o} is rejected. Price Earnings Ratio in a partial way has a positive and significant impact on the Stock Price in the LQ45 Indicator industry listed in the Money Market Impact of Indonesia throughout the 2017-2019 period.

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