

Effect of Return On Assets, Return On Equity and Earning Per Share on the price of shares at PT. Gajah Tunggal tbk

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ABSTRACT

This study aims to determine the effect of Return on Assets, Return on Equity and Earning Per Share on stock prices at PT. Gajah Tunggal Tbk. The method used was explanatory research with a sample of 8-year financial statements in the form of a panel PT. Gajah Tunggal Tbk. The analysis technique uses statistical analysis with regression testing, correlation, determination and hypothesis testing. The results of this study Return on Assets have a significant effect on stock prices by 53.4%, hypothesis testing obtained significance of 0.040 <0.05. Return on Equity has a significant effect on stock prices by 83.0%, hypothesis testing obtained significance of 0.002 <0.05. Earning Per Share has a significant effect on the stock price of 97.9%, the hypothesis test obtained significance 0,000 <0.05. Return on Assets, Return on Equity and Earning Per Share simultaneously have a significant effect on the stock price of 99.5%, the hypothesis test obtained significance 0,000 <0.05.

Keywords: Return on Asset; Return on Equity; Earning Per Share; Stock price

INTRODUCTION

Firm is an organization that combines and organizes various resources with the aim of producing goods and services for sale (Ali et al., 2018; Della Torre, 2019; Ren & Jackson, 2020; Tzabbar et al., 2017). The company's goal is to maximize the value of the company and the welfare of its shareholders. Maximizing shareholder value can be achieved by maximizing the present value or present value of all shareholder profits that are expected to be obtained in the future (Shi et al., 2020; VanDalsem, 2019).

Stock price as an indicator to measure the success of a company's management, where market power on the stock market is indicated by the sale and purchase of the company's shares in the capital market (Cao et al., 2002; Dunford et al., 2010; Fu et al., 2020 ; Yin et al., 2020). The transaction conditions and conditions are based on investors' observations of the company's achievements in increasing profits. Shareholders who are dissatisfied with management's performance can sell their shares and invest their money in other companies (Sunarsi et al., 2019; Sunarsi & Kusjono, 2019). If this is done, it will reduce the stock price of a company (Astuti & Husna, 2020).

Share price is the present value of income to be received by investors in the future (Bennett et al., 2020). The stock price shows the achievements of companies that move in the direction of the company's performance. Companies that have good achievements can improve their company performance which is reflected in the company's financial statements, so investors will be interested in investing in the company. Increasing investor demand for these companies will cause the price of the company's shares to tend to increase as well (Jati, 2019).

The company's financial statements can be a reference for investors in making investment decisions, such as selling, buying, or investing in shares. Stock prices can change at any time depending on the amount of supply and demand of investors for these shares. Factors that can affect the ups and downs of a company's stock price are internal factors and external factors of the company. This study uses company internal factors as reflected in the company's financial statements (Afriyanti et al., 2020; Jati, 2019; Kencana, 2020; Tumanggor, 2020). The company's internal factors are used in the form of financial ratios such as profitability ratios that are proxied by Return on Assets (ROA), Return on Equity (ROE) and market ratios that are proxied by Earning Per Share (EPS).

Return on Assets (ROA) is a profitability ratio that measures how much a company can increase a company's net profit by using all assets owned by the company. The greater ROA shows that the profit or profit achieved by the company is greater, so that it will attract investors to invest their capital in the company. The increasing demand for these shares will later be able to increase the price of the company's shares in the market. Research conducted by Pradipta (2012) found that ROA had a positive and significant influence on stock prices in LQ-45 companies on the Indonesia Stock Exchange in the 2009-2011 period. While research Murtiningsih (2010) states that ROA has no influence on stock prices in Food and Beverage Companies on the Stock Exchange.

Return on Equity (ROE) is a ratio that is used to measure the level of net income earned by a company for the capital invested. The greater the ROE ratio illustrates the better the state of the company, so that it will increase investor confidence to invest their capital. Nurfadilah (2011) states that ROE has a significant effect on stock prices.

Earning Per Share (EPS) is a market ratio used to measure how much market recognition a company has by comparing net income with the number of shares outstanding on the market. The increasing EPS indicates that the company has succeeded in increasing investor prosperity by dividend distribution. This can increase investor demand for shares which in turn will also increase the company's stock price. Research conducted by Shubiri (2010), found that partially EPS has a significant positive effect on stock prices at Commercial Banks in Jordan. In contrast to research conducted by Iqbal Khan (2010), found that EPS has a negative and not significant effect on stock prices in the Chemical and Pharmaceutical Industry.

The author chooses Return on Asset (ROA) and Return on Equity (ROE) ratios as factors that affect stock prices, because Return on Assets (ROA) and Return on Equity (ROE) are ratios that represent the taking of all company activities. While Earning Per Share (EPS) was chosen because EPS shows how many rupiahs of profit investors receive on each share. These three variables are thought to be considerations of investors in buying shares and having a profit can affect the stock price. The following is the value of ROA, ROE, and EPS on the Share Price of PT. Gajah Tunggal Tbk can be seen in Table 1.

Table 1
Value of Return on Assets (ROA), Return on Equity (ROE) and Earning Per Share (EPS)
on the Share Price of PT Unilever Tbk

Tahun 2011-2018.

Year	Return On Asse	Return on Equity (ROE)	Earning every Share (EPS)	Share Price (Rp)
2011	52.94	104.79	257	6.750
2012	55.63	115.23	315	7.800
2013	52.77	111.74	339	11.050
2014	54.44	112.27	444	16.500
2015	56.73	151.45	546	18.800
2016	52.03	162.98	534	20.850
2017	58.36	168.25	702	26.000
2018	58.76	166.93	712	28.300

Based on calculations and graph above shows that the Return on Assets (ROA) in the last 8 years (year 20 11 until the year 201 8) showed a fluctuating development where there is a decrease caused by the lack of ability of the company to generate profits. And an increase that indicates increasingly attractive investor interest in investing their capital. Based on the background above, this is the background of the writers interested in conducting research on "The Effect of Return on Assets (ROA), Return on Equity (ROE) and Earning Per Share (EPS) on the Share Price of PT. Gajah Tunggal Tbk "

METHOD

The population in this study 8 years financial statements in the form of PT. Gajah Tunggal Tbk . The sampling technique in this study is saturated sampling, where all members of the population are sampled. Thus the sample in the 8 year financial statement research in the form of PT. Gajah Tunggal Tbk. The type of research used is associative, where the aim is to find out the connection between . In analyzing the data used instrument test, classical assumption test, regression, coefficient of determination and hypothesis testing.

RESULT AND DISCUSSION

Descriptive Analysis

In this test used to determine the highest minimum and maximum scores, raiting scores and standard deviations of each variable. The results are presented in table 2.

Table 2
Descriptive Statistics Analysis Results

Descriptive Statistics					
	N	Minimum	Maximum	The mean	Std. Deviation
Return on Assets (X1)	8	52.03	58.76	55,0200	2,60562
Return on Equity (X2)	8	104.79	168.25	136,7050	28.07259
Earning Per Share (X3)	8	257.00	712.00	481.1250	172,58574
Stock Price (Y)	8	6.75	28.30	17,0063	8.03659
Valid N (listwise)	8				

Return on Assets obtained a minimum *variance* of 52.03% and a *maximum variance* of 58.76% with a *rating score* of 55.02 with a standard deviation of 2.605%. Return on Equity obtained a minimum *variance* of 104.79% and a *maximum variance* of 168.25% with a *rating score* of 136.70% with a standard deviation of 28.072%. Earning Per Share obtained a minimum *variance* of 257.00% and a *maximum variance* of 712.00% with a *rating score* of 481.12% with a standard deviation of 172.58%. The stock price obtained a minimum *variance* of 6.7 and a *maximum variance* of 28.30 with a *rating score* of 17,006 with a standard deviation of 8.036.

Verification Analysis

This analysis is intended to determine the effect of independent variables on the dependent variable. The test results are presented in multiple linear regression analysis. This regression test is intended to determine changes in the dependent variable if the independent variable changes. The test results are presented in table 3.

Table 3
Multiple Linear Regression Testing Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	34,973	11,979		2,920	.043
	Return on Assets (X1)	-.725	.218	-.235	-3,319	.029
	Return on Equity (X2)	-.069	.033	-.242	-2,113	.102
	Earning Per Share (X3)	.065	.007	.1402	9,474	.001

a. Dependent Variable: Share Price (Y)

Based on the test results in the above table, the regression equation $Y = 34.973 - 0.725 X1 - 0.069 X2 + 0.065 X3$ is obtained. From the equation explained as follows:

- 1) A constant of 34.973 means that if there is no Return on Assets, Return on Equity and Earning Per Share, then there is a stock price of 34.973 points.
- 2) Return on Asset regression coefficient of - 0.725, this number is negative meaning that every time there is a decrease in Return on Assets of - 0.725 points, the share price will also decrease by - 0.725 points.
- 3) Return on Equity regression coefficient of - 0.069, this number is negative meaning that every time there is a decrease in Return on Equity of - 0.069 points, the share price will also decrease by - 0.069 points.
- 4) Earning Per Share regression coefficient of 0.065, this number is positive meaning that every time there is an increase in Earning Per Share by 0.065 points, the share price will also increase by 0.065 points.

Hypothesis testing

1. Partial hypothesis test (t test)

Hypothesis testing with t test is used to find out which partial hypotheses are accepted. First Hypothesis: There is a significant effect between Return on Assets on stock prices.

Table 4
Hypothesis Test Results Return on Assets Against Stock Prices.

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-106,955	47,360		-2.258	.065
	Return On Asset (X1)	2,253	.860	.730	2,620	.040

a. Dependent Variable: Share Price (Y)

Based on the test results in the above table, a significance value of 0.040 < 0.050 is obtained, thus the first hypothesis proposed that there is a significant influence between Return on Assets on stock prices is accepted.

Table 5
Hypothesis Test Results Return on Equity Against Stock Prices.

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-18,644	6,712		-2.778	.032
	Return on Equity (X2)	261	.048	.911	5,409	.002

a. Dependent Variable: Share Price (Y)

Based on the test results in the table above, a significance value of 0.002 <0.050 is obtained, thus the second hypothesis is proposed that there is a significant influence between Return on Equity on stock prices received.

Table 6
Earning Hypothesis Test Results Per Share Against Stock Prices.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5,162	1,395		-3,700	.010
	Earning Per Share (X3)	.046	.003	.899	16,760	.000

a. Dependent Variable: Share Price (Y)

Based on the test results in the table above, a significance value of 0,000 <0.050 is obtained, thus the third hypothesis proposed that there is a significant influence between Earning Per Share on stock prices is accepted.

2. Simultaneous Hypothesis Test (Test F)

Hypothesis testing with the F test is used to find out which simultaneous hypotheses are accepted. The fourth hypothesis There is a significant influence between Return on Assets, Return on Equity and Earning Per Share on stock prices.

Table 7
Hypothesis Test Results Return on Assets, Return on Equity and Earning Per Share on Stock Prices.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	449,633	3	149,878	242,316	.000 ^b
	Residual	2,474	4	.619		
	Total	452.107	7			

a. Dependent Variable: Share Price (Y)

b. Predictors: (Constant), Earning Per Share (X3), Return On Assets (X1), Return on Equity (X2)

Based on the test results in the above table, a significance value of 0,000 <0.050 is obtained, thus the fourth hypothesis is proposed that there is a significant influence between Return on Assets, Return on Equity and Earning Per Share on the price of shares received.

Discussion

Return on Assets has a significant effect on stock prices with a correlation of 0.730 or has a strong relationship with a contribution of 53.4%. Hypothesis testing obtained a significance value of 0.040 <0.050. Thus the first hypothesis proposed that there is a significant effect between Return on Assets to the stock price received. Return on Equity has a significant effect on stock prices with a correlation of 0.911 or has a strong relationship with an influence contribution of 83.0%. Hypothesis testing obtained a significance value of 0.002 <0.050. Thus the second hypothesis is proposed that there is a significant effect between Return on Equity and the stock price received.

Earning Per Share has a significant effect on stock prices with a correlation of 0.989 or has a strong relationship with a contribution of 97.9%. Hypothesis testing obtained a significance value of 0,000 <0.050. Thus the third hypothesis is proposed that there is a significant effect between Return on Equity on stock prices received. Return on Assets, Return on Equity and Earning Per Share have a significant effect on stock prices by obtaining a regression equation $Y = 34.973 - 0.725X1 - 0.069X2 + 0.065X3$, the correlation value of 0.995 or has a strong relationship with the contribution of influence of 99.5% while the remaining 5.0% is influenced by other factors. Hypothesis testing obtained a significance value of 0,000 <0.050. Thus the fourth hypothesis proposed that there is a significant effect between Return on Assets, Return on Equity and Earning Per Share on the share price received.

CONCLUSION

Return on Assets has a significant effect on stock prices with an effect contribution of 53.4%. Hypothesis testing obtained a significance value of 0.040 <0.050. Return on Equity has a significant effect on stock prices with an influence contribution of 83.0%. Hypothesis testing obtained a significance value of 0.002 <0.050. Earning Per Share has a significant effect on stock prices with an influence contribution of 97.9%. Hypothesis testing obtained t value > t table or (8.550 > 1.989). Return on Assets, Return on Equity and Earning Per Share have a significant effect on stock prices with an influence contribution of 99.5% while the remaining 5.0% is influenced by other factors. Hypothesis testing obtained a significance value of 0,000 <0.050.

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