

THE EFFECT OF EARNING PER SHARE, PRICE EARNING RATIO, PRICE TO BOOK VALUE ON STOCK RETURN IN THE INDONESIA STOCK EXCHANGE

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Abstrak

This research is aimed to answer the effect of Earnings per Share, Price Earning Ratio, Price to Book Value on stock return. The total sample use 228 manufacture companies listed in Indonesia Stock Exchange for period 2019-2021. Dependent variable in this research is stock return, while Earnings per Share, Price Earning Ratio, Price to Book Value as independent variables. Sample was selected using purposive sampling method. This research used Multiple Regression Analysis as a method of data analysis. Based on the results of testing and analysis of data, found that the partial Earnings per Share has a negative effect on stock returns, Price Earning Ratio has a negative effect on stock return, Price to Book Value has a positive effect on stock return while simultaneously Earnings per Share, Price Earning Ratio, Price to Book Value have effect to stock return..

Keywords: Earning Per Share, Price Earning Ratio, Price To Book Value, Stock Return.

PENDAHULUAN

The development of the business world in Indonesia is supported by market developments capital. The Capital Market was formed to carry out economic and financial functions that govern the nation's economy. By providing its services to link funds from parties who have excess funds, in this case investors, to parties in the productive sector who need funds, the capital market complements the financial sector in comparison to two other institutions, namely banks and financial institutions. In contrast to the company, which obtains alternative sources of funds without waiting for the availability of funds from the proceeds of company operating activities, investors have the hope of making a profit (return) from investments made and have the right to ownership of the company without being directly involved in it.

Interestingly, investing in the capital market encourages investors to conduct transactions in the capital market. But investors are not just like that make a stock purchase before doing a good research on issuer. Investments made in the form of shares are investments that very risky so it offers a higher level of profit compared to other investment returns that are less risky to attract investors. Therefore, investors need various information that can be used as a signal to assess the company's prospects concerned. Financial reports are one source of information that can used by investors in making investment decisions.

Financial statements are one source of information that reflects the state of a company's finances that can be used as a basis for making several decisions, such as management performance appraisal, determination of management compensation in one accounting period.

In Statement of Financial Accounting Concepts (SFAC) No. 1 there are two goals finance report. First, provide pertinent information to help creditors, investors, and other users

make informed decisions on loans, investments, and other comparable matters. In order to help creditors and investors gauge the company's potential net cash flow, information about future corporate cash flow is also provided (FASB, 1978).

In the capital market, financial statements useful for investors in making decisions whether to buy, hold or sell certain stocks and to form a portfolio. Financial statements is said to have information content if the publication of the financial statements cause a market reaction. The greater the role of the capital market in the activities of economy, the more sensitive the market reaction to surrounding events (Sambuari, et al., 2020).

The company's financial accounts, which are often able to generate profit, can be used to determine the efforts made to entice and persuade investors to invest. Investors will be given a summary of the company's future prospects based on the earnings the company generates, giving them a return. The earnings received by investors for their investments in publicly traded corporations are known as stock returns. The price of stocks and stock returns will rise as more investors purchase shares (Nadyayani, 2021).

Information in financial statements can provide predictions about stock returns through various analyses. One analysis that can be done is company ratio analysis. In this study, an analysis of the effect of the ratio of Price Earnings Ratio (PER), Price to Book Value (PBV), and Earnings Per Share (EPS) on the company's stock return. Price Earnings Ratio (PER) and Price to Book Value (PBV) is a ratio that reflects market valuation to shares used to determine whether a particular share price rated too low (undervalued) or too high (overvalued), so that the investors can determine when shares should be bought and or sold. Earnings Per Share (EPS) in relation to stock returns, namely to ensure that the information in the financial statements can provide predictions about stock returns through various analyses. One analysis that can be done is company ratio analysis.

All variables used in this study are ratios that reflects market valuation to shares used to determine whether a particular share price rated too low (undervalued) or too high (overvalued), so that the investors can determine when shares should be bought and or sold. EPS, PER, and PBV in relation to stock returns, namely to convince investors before buying and or selling shares, because the return of a stock will increase depends on the company's ability to generate earnings for each its shares. Based on the data, the objectives of this study are:

1. To find out the effect of negative and significance of the effect of earnings per share (EPS) on stock returns.
2. To determine the effect of negative and significant of the effect of PER on stock returns.
3. To determine the effect of positive and significant of the effect of PBV on stock returns.
4. To find out the significance of the effect of earnings per share (EPS), price earning ratio (PER), and price to book value (PBV) on stock returns.

HASIL DAN PEMBAHASAN

These type of research use quantitative method, Regression analysis was used in the analysisusing the SPSS software.

Dependent variable

Stock return, according to Jamaluddin et al. (2021), is the anticipated rate of return on investments made in individual stocks or several groupings of companies through a portfolio.

Independent variable

There are 3 ratio analysis used in this research, which are Earning Per Share, Price Earning Ratio, Price to Book Value

Earning Per Share

Earnings Per Share (EPS) measures how much money investors make from each share they possess. The higher the EPS figure, the more money investors make from each share they own (Aisah & Mandala, 2016).

Price Earning Ratio

The Price Earning statistic (PER) is a statistic that stock analysts frequently use to evaluate company prices. shows how long it would take to manage money at a specific level of stock prices and business earnings (Nurlia, 2018).

Price to Book Value

In order for investors to choose which shares to purchase, Price Book Value (PBV), which contains a ratio that indicates the market's valuation of shares, is used to assess the price of shares that are undervalued or overpriced. A high PBV will raise share prices, which in turn will raise the company's income (return) (Jamaluddin et al., 2021).

SAMPLE AND POPULATION

The collection procedure begins in January 2023. This study was gathered between December 31, 2019, and December 31, 2021 from the IDX website, the Indonesian Capital Market Directory, and the IDX corner. All of the firms listed on the Indonesian Stock Exchange from 2019 to 2021 made up the study's population. The study periodization covers information for the years 2019, 2020, and 2021. The study's research samples included a total of 76 businesses. The population to be utilized as a research sample fits the sample requirements since the sample was chosen using purposive sampling.

RESULT AND DISCUSSION

Data Normality Test

In this study, analysis was utilized to confirm the normality of the data rather than pictorial approaches. It is thought that the analysis will provide a more precise description of the results. This study used the Kolmogorov-Smirnov technique to validate the normality of the data. One can use this technique to evaluate how often the sample under study is dispersed. The data are considered to be normally distributed if the significance level is equal to or higher than 5%. If it is less than 5% (0.05), the set of data is not regularly distributed.

Table 1. Data Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		228
Normal Parameters ^{a,b}	Mean	1.3780000
	Std. Deviation	7.02460385
Most Extreme Differences	Absolute	.416
	Positive	.416
	Negative	-.405
Test Statistic		.416
Asymp. Sig. (2-tailed)		2.907^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Multicollinearity Test

To determine if the regression model accurately represented the relationship between the variables, a multicollinearity test was conducted. VIF (Variance Inflation Factor) and tolerance levels are used in this study to detect multicollinearity problems. When the tolerance value is less than 0.10 and the VIF value is larger than 10, there is no multicollinearity problem in the regression.

Table 2. Multicollinearity Test

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Std. Error	Beta			Tolerance VIF

1	(Constant)	.521	.480		1.086	.028		
	PER	-1.680	.000	-.005	-.073	.042	.900	13.000
	EPS	-.015	.000	-.011	-.163	.004	.800	14.000
	PBV	.004	.005	.056	.845	.009	.500	11.543
a. Dependent Variable: Return Saham								

It can be inferred from Table 3 that this study did not exhibit multicollinearity because the VIF value is greater than 10 and the tolerance value is less than 0.1.

Autocorrelation Test

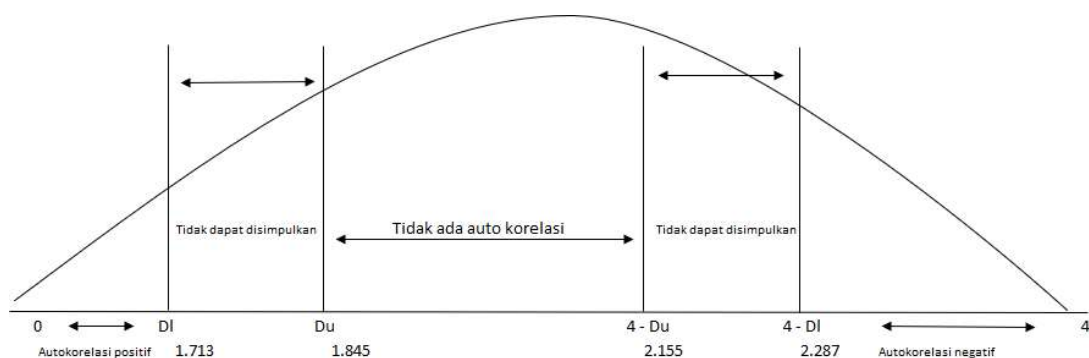
The autocorrelation test looks for a connection between the confounding error in period t and the confounding error in period $t-1$ in the (previous) regression model. The Durbin Watson (DW) value is calculated by applying the Durbin Watson criteria to the autocorrelation test.

Table 3. Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.058 ^a	.003	.310	7.07149	2.016
a. Predictors: (Constant), PBV, PER, EPS					
b. Dependent Variable: Return Saham					

Du	1.845
DI	1.713

4 – Du	2.155
4 – DI	2.287



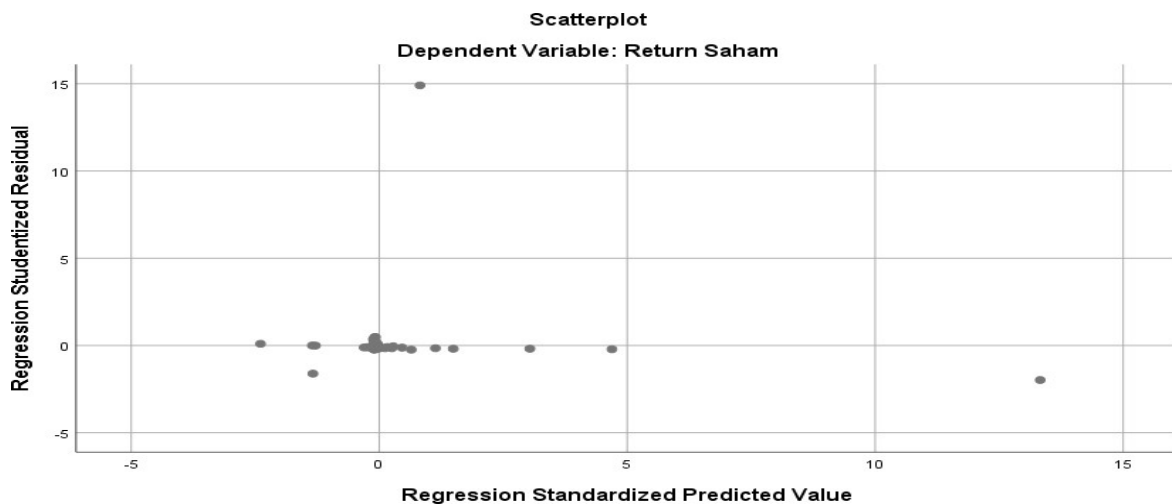
Note: Dw = 2.016

According to Table 4, the DW value is 2.016. When we use a significant level of 5% with a sample size of 228 and 3 variables, this value has D_L 1.713 and D_U 1.845. As a consequence, it can be claimed that the result shows $D_U < D < D_L$ (1.845 2.016 2.155) that the regression model utilized does not exhibit any autocorrelation symptoms.

Heteroscedasticity Test

To ascertain whether the regression model data suggested variance dissimilarity between the residuals from various observations, the heteroscedasticity test was run. If the residual variance from one observation to the next is the same as the prior observation, the distribution is not considered heteroscedastic. A regression model must either show heteroscedasticity or not be regarded valid (Ghozali, 2013). Graph 1's lack of any pattern supports the assertion that there is no heteroscedasticity.

Graph 1.
Heteroscedasticity Test



Test the Coefficient of Determination (R^2)

Table 4. R^2 Table

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.058 ^a	.003	.310	7.07149	2.016
a. Predictors: (Constant), PBV, PER, EPS					
b. Dependent Variable: Return Saham					

The regression model's ability to apply and explain how different factors affect the dependent variable is measured by the coefficient of determination (R²). Adjusted R square value, which is based on Table 5, is 0.31, or 31%. This indicates that the independent variables PBV, PER, and EPS have a 31% impact on share return. While the remaining percentage (100% - 31% = 69%) can be accounted for by other elements like liquidity and profitability ratio.

T Test

Table
5. T-
Test

Coefficient								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.521	.480		1.086	.028		
	PER	-1.680	.000	-.005	-.073	.042	.900	13.000
	EPS	-.015	.000	-.011	-.163	.004	.800	14.000
	PBV	.004	.005	.056	.845	.009	.500	11.543
a. Dependent Variable: Return Saham								

The regression equation in this study is as follow:

$$Y = 0.521 - 0.015 \text{ EPS} - 1.680 \text{ PER} + 0.004 \text{ PBV} + 0.480$$

According to table 6, B's value is -0.015 and EPS has a significant value of 0.004, which is less than 0.05. This indicates that EPS significantly and negatively affects the return on shares. As a result, the first hypothesis is true. B's value is -1.680, and PER has a significant value of 0.04, which is less than 0.05. This indicates that PER significantly and negatively affects the return on

shares. The second theory is thus acceptable. PBV is significant at 0.009, which is less than 0.05, while B is significant at 0.004. This indicates that PBV has a favorable and

considerable impact on the return on shares. The third theory is therefore acceptable. With these three hypotheses confirmed, it was determined that the fourth hypothesis was also confirmed since EPS, PER, and PBV had a considerable impact on share return.

F Test

Table
6. F
Test

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.544	3	12.515	.250	.041 ^b
	Residual	11201.328	224	50.006		
	Total	11238.873	227			
a. Dependent Variable: Return Saham						
b. Predictors: (Constant), PBV, PER, EPS						

The F test was employed to evaluate the impact of each factor in the regression model on the dependent variable at a significance threshold of 5%. The model is deemed viable if the probability value of F is less than 0.05. Based on table 7, the significant value is 0.041 which is lower than 0.05 which means that variables of EPS, PER, and PBV have effect on shares return.

DISCUSSION

Hypothesis 1

According to the results above, EPS has a strong negative impact on share value return. As a result, the first hypothesis is true. Earnings Per Share (EPS) calculates how much money shareholders make from each share they own; the higher the EPS value, the more money shareholders make from each share (Aisah & Mandala, 2016). This implies that the shares return is lower the greater the EPS. This may have occurred because the research's sample firms were non-profit organizations. This finding is corroborated by earlier study by Sausan et al. (2020), which found a substantial relationship between EPS and share return.

Hypothesis 2

According to the aforementioned result, PER has a negative and considerable impact on share return. The second theory is thus acceptable. Stock analysts typically use the Price Earning Ratio (PER) figure to assess firm pricing. demonstrates how long it would take to maintain financial control at a specific level of stock prices and business earnings over a specific time period (Nurlia, 2018). This implies that the lower the shares return, the greater

the PER. This may have occurred because the firms included as examples in this study are nonprofit organizations and have not consistently been listed in IDX for three years in a row. This finding is corroborated by earlier studies by Idawanda, et al. (2021) and Asrini (2020), which found that PER had a large impact on share return.

Hypothesis 3

According to the aforementioned result, PBV has a favorable and considerable impact on share return. The third theory is therefore acceptable. Price Book Value (PBV), which comprises a ratio that represents the market's valuation of shares, is used to determine the price of shares that are undervalued or overpriced so that investors may decide which shares to buy. The income (return) of the firm in question will increase as a result of a high PBV (Jamaluddin et al., 2021). As a result, the shares return increases with increasing PBV. This implies that the sample's PBV may increase the return on shares, and vice versa. Previous study by Bustani (2021), which found that PBV had a large impact on share return, is consistent with our finding.

Hypothesis 4

All of the aforementioned hypotheses are accepted based on the results above. The fourth theory is thus also acceptable. The results of earlier studies by Sausan, et al. (2020) and Anwar (2019), which claimed that EPS, PER, and PBV had simultaneous influence on shares return, support the conclusion that EPS, PER, and PBV have considerable value on shares return.

CONCLUSION

This study investigates the impact of Price Earning Ratio (PER), Price to Book Value (PBV), and Earnings per Share (EPS) on stock returns on the stock exchange. The dependent variable, or stock returns, is the study variable that is being employed. Earnings per Share (EPS), Price Earning Ratio (PER), and Price to Book Value (PBV) are the independent variables. Regression analysis was used in the analysis using the SPSS software. The sample data for the businesses consists of 76 businesses out of a total of 228. The study will run from 2019 to 2021.

The following conclusions can be taken from the findings and analysis of the data that was presented in the preceding chapter:

1. EPS has negative and significant effect on shares return. This means when EPS decrease, shares return will increase and vice versa.
2. PER has negative and significant effect on shares return. This means when PER decrease, shares return will increase and vice versa.
3. PBV has positive and significant effect on shares return. This means when PBV increase, shares return will increase and vice versa.

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