STOCK PRICE IMPACT FROM DEBT TO EQUITY RATIO AND EARNING PER SHARE

[1] Dede Hertina, [2] Leyris Ristasienti, [3] Putri Adharini Pradana

ABSTRACT
This study aims to determine the effect of debt to equity ratio and earnings per share on stock prices. The Unit of Analysis in this research is the construction and building sub sector companies listed on the Indonesia Stock Exchange in the 2014-2018 period. This research method uses descriptive and verification methods. The data analysis technique used is multiple linear regression analysis, hypothesis testing using t test and F test. The study population is all construction and building sub sector companies. The study population was all construction and building sub-sector companies listed on the Indonesia Stock Exchange in 2014-2018 as many as 16 companies. By using Purposive Sampling technique obtained 9 companies that match the research sample criteria. Simultaneous research results obtained debt to equity ratio and earnings per share affect the stock price, while the research results partially show the debt to equity ratio and earnings per share have no effect on stock prices.

Keyword*: DER, EPS and Stock Price*

INTRODUCTION

Infrastructure development that has been intensified by the government for several years has yielded good results. Coordinating Minister for the Economy, Darmin Nasution said that the construction sector is currently among the five highest sectors that contribute to Gross Domestic Product. This is the main attraction for investors to invest in Indonesia. One of the most popular financial market instruments for investing is stocks. Construction sector companies issuing shares are one of the choices of companies in seeking funds for their capital structure, for investors, shares are an investment instrument that is chosen because it is able to provide attractive returns. New contracts from the construction sector can bring in many investors to invest in the form of shares that Can growth the fee of the company, especially the construction sector which is reflected in the share price. In the last five years, the movement of the share price of the construction sector has declined despite an insignificant one-time increase. The development of share prices needs to be taken into consideration by investors to peer the company's performance, economic conditions such as this must improve the company's performance through new contracts obtained by this sector so that investors are interested in investing their capital, because the company's goal is to prosper shareholders. Stock price is a price of a stock which is determined from the supply and demand of shares in the capital market. To see the development of stock prices can be studied through technical analysis and essential analysis. Technical evaluation is an analysis relating to the history of the company through financial statements and macro performance such as inflation, exchange rates and interest rates. Funding decisions chosen by the company are important to be observed because they relate to the interests of many parties such as creditors, shareholders and management. Companies must find efficient funding alternatives to fulfill their funds. Capital structure is said to be optimal if the company can manage its funding well. Sources of funding can come from internal companies such as retained earnings, while external sources of company funding come from creditors and company owners. Sources of funds that are alternatives for companies in their funding decisions are sources of funds that come from creditors.

[1] Corresponding author's email: dede.hertina@widyatama.ac.id

The source of funds from creditors is debt for the company. This funding decision originating from debt adds capital for the company to carry out investment activities in the company. The use of debt will add value to the company if the company is able to manage the company well. The use of debt will have a bad impact if the company is unable to manage the company well. The use of high debt by companies tends to make investors less interested in investing their capital, because high debt owned by the company will result in high risks that must be borne by the company. This is a concern for potential investors when making a decision to invest. The company prefers to pay debts that must be fulfilled to creditors rather than dividing profits per share to shareholders. Earning per share is one of the profitability ratios that measures a company's ability to generate earnings per share for its owner. Earning per share analysis is often used by investors because it reflects the possibility of the level of profit earned by shareholders. High earning per share means that the company provides an opportunity for a high level of return or income for investors.

LITERATURE REVIEW

Harahap (2013: 303) argues that the DER illustrates the extent to which owner's capital can cover debts to outside parties. Kasmir (2014: 135) states that the DER is the ratio used to assess the performance of debt with equity. It can be concluded that the DER is a ratio used to degree how much the company's equity can finance the company's debts. The use of debt in the capital structure is a mainstay for the company to optimize the company. With the use of debt can reduce the occurrence of company internal conflicts (agents with the principal) and can expand to expand the company's operational activities by investing in company assets that need to be added to increase the level of sales of the company.

The use of debt as an option in the capital structure, the company certainly needs a mature decision in which the debt fund projection used should not exceed its own capital, because the use of debt will incur interest which is a burden for the company in carrying out operational activities. The existence of interest costs can result in companies experiencing the risk of default because they are unable to pay debts and interest expenses. The level of risk is reflected in the debt to equity ratio, which shows how much equity is owned by the company in meeting the company's obligations. Every investor avoids investing in companies that have high debt to equity ratios because they reflect a high level of risk, which will affect investor interest so that share prices decline.

Harahap (2013: 306) earnings per share shows how much ability per share generates profits. Irham Fahmi stated (2014: 288), earnings per share is a form of giving benefits to shareholders from each share owned. Conclusion earning per share is the ratio used to measure how much the company's capacity to generate profits on the number of shares. The company's aim is to maximise the price of the company. Company value can be reflected in the company's stock price. A large stock price makes investors interested in investing their funds in the company in the hope of getting more returns from the funds invested. Investors have the assumption that large share prices indicate the success of the company's performance using the resources owned by the company.

level of profit that can be generated per share owned by investors will affect investor interest in the performance of certain companies. The higher the EPS value, the investor considers the company's prospect is very good in the future so that it affects the level of demand for the company's shares. Eduardus Tandelilin (2017: 31) states that shares are certificates that show proof of ownership of a company. Common stock is a certificate that shows proof of ownership of a company. Kasmir stated (2016: 185) shares are securities that are ownership. This means that the owner of the stock is the owner of the company, the greater the shares he has, the greater his power in the company. Profits derived from shares are known as dividends and their distribution is determined at the General Meeting of Shareholders.

Irham Fahmi (2013: 270) believes the shares are:

a. Proof of equity ownership in a company
b. Paper that is clearly listed in face value, company name and followed with rights and obligations explained to each holder
c. Inventories that are ready to sell.

HYPOTHESIS

H1: *DER* and *Earning Per Share* affect the stock price
H2: *DER* affect the stock price
H3: *Earning Per Share* affect the stock price

RESEARCH METHODS

This research method uses descriptive and verification methods. The objects used in this study are Debt to Equity Ratio and Earning Per Share as Independent Variables and their influence on Share Prices as Independent Variables. The independent variables studied were the Debt to Equity Ratio or Capital Structure variable and the Earning Per Share variable or the Profitability Ratio. And the Independent Variable, namely the Share Price measured by Closing Price. The Unit of Analysis in this research is the construction and building sub sector companies listed on the Indonesia Stock Exchange in the 2014-2018 period. The data analysis technique used is multiple linear regression analysis, with hypothesis testing using t test and F test. The study population is all construction and building sub-sector companies listed on the Indonesia Stock Exchange in the period 2014-2018 as many as 16 companies. By using Purposive Sampling technique obtained 9 companies that match the research sample criteria.

RESEARCH RESULTS AND DISCUSSION

Linear Data Panel Regression Analysis

Table 1 Results of Linear Data Panel Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1735.935	296.5387	5.853992	0.0000
DER	-93.51863	105.9805	-0.882414	0.3837
EPS	0.258123	1.346024	0.191767	0.8491

Source: Data Processing Results

Equation of panel data linear regression model with fixed effect model estimation:

$$\mathbf{Y = 1735{,}935 - 93{,}51863X_1 + 0{,}258123X_2}$$

1. The constant value of 1735,935 indicates the size of the stock price if the debt to equity ratio and earnings per share is absent, then the magnitude of the relevance of the value that occurs in the stock price is 1735,935.
2. The debt to equity ratio regression coefficient value of -93.51863 means the magnitude of changes in the stock price variable because it is influenced by the debt to equity ratio variable. The negative sign on the value of the debt to equity ratio regression coefficient indicates that there is an inverse relationship between the debt to equity ratio and the stock price, meaning that every one-unit increase in the variable debt to equity ratio can reduce the stock price by 93.51863.
3. Regression coefficient for earning per share variable is positive which indicates a direct relationship between earning per share variable and stock price. The value of the regression coefficient of earnings per share is 0.258123, which means that every one-unit increase in the variable earnings per share can increase the stock price by 0.258123.

Hypothesis Test

Simultaneous Hypothesis Test (F Test)

Table 2 Simultaneous Hypothesis Testing Results (F Test)

Cross-section fixed (dummy variables)

R-squared	0.822528	Mean dependent var	1567.422
Adjusted R-squared	0.770331	S.D. dependent var	1121.374
S.E. of regression	537.4051	Akaike info criterion	15.61997
Sum squared resid	9819344.	Schwarz criterion	16.06160
Log likelihood	-340.4493	Hannan-Quinn criter.	15.78460
F-statistic	15.75798	Durbin-Watson stat	0.958565
Prob(F-statistic)	0.000000		

Source: Data Processing Results

The F count value is 15.75798 with a Prob value (F-statistic) of 0.000000. Because Fcount> Ftable (15.75798> 3.21), the variable debt to equity ratio and earnings per share (X2) have a significant simultaneous effect on the Stock Price variable. Thus it can be concluded that Ho was rejected and Ha was accepted. This shows that if the DER and EPS values increase, it will be followed by an increase in share prices. R-Squared value of 0.822528 or 82%, which means the stock price is influenced by debt to equity ratio and earnings per share of 82% and the remaining 18% is influenced by other factors outside of the variables examined in this study.

Partial Hypothesis Test (t Test)

Table 4 Partial Hypothesis Testing Results (t Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1735.935	296.5387	5.853992	0.0000
DER	-93.51863	105.9805	-0.882414	0.3837
EPS	0.258123	1.346024	0.191767	0.8491

Source: Data Processing Result

a. *Debt to Equity Ratio*

The significant level taken is 5% with degrees of freedom df = n - (k − 1) or df = 45 - (2-1) then a ttable value of 1.68023 is obtained to see whether there is a significant relationship between the debt to equity variable ratio with stock price variables and the significance value obtained based on the probability table of 0.3837. Based on the t test table, it can be seen -t count> -table (-0.882414> -1.68023) it can be concluded that Ho is accepted and Ha is rejected, meaning that there is no partial effect between the debt to equity ratio variable to the stock price variable.

b. *Earning Per Share.*

The level of significance taken is 5% with degrees of freedom df = n - (k-1) or df = 45 - (2−1) then a t table value of 1.68023 is obtained to see if there is a significant relationship between earning per share variables with the stock price variable and the significance value obtained based on the probability table of 0.8491. Based on the t test table, it can be seen that tcount <ttable (0.191767 <1.68288), it can be concluded that Ho is rejected and Ha is accepted, meaning that there is no partial effect between earning per share variable on the stock price variable.

DISCUSSION OF RESEARCH RESULTS

The Effect of Debt to Equity Ratio and Earning Per Share on Share Prices in development and building sub division organizations recorded on the Indonesia Stock Exchange in the 2014-2018 period.

The results of the F-statistic test and the coefficient of determination value of 0.8225 indicate that the debt to equity ratio and earnings per share simultaneously affect the stock price. This shows that a good debt to equity ratio and earnings per share are always considered by investors to invest in the form of shares in construction and building sub sector companies listed on the Indonesia Stock Exchange in the 2014-2018 period. This research is in line with research conducted by Efrizon (2019) and Muhammad Ircham, Siti Ragil Handayani and Muhammad Saifi (2014) which states that debt to equity ratio and earnings per share simultaneously influence stock prices.

The Effect of Debt to Equity Ratio on Share Prices on construction and constructing sub sector businesses listed on the Indonesia Stock Exchange in the 2014-2018 period.

The results of the t-statistic test and the coefficient of determination value of 0.8225 indicate that the debt to equity ratio partially has no effect on the share price of the construction and building sub sector companies listed on the Indonesia Stock Exchange in the 2014-2018 period.This means that if the value of the debt to equity ratio rises or falls Does not have an effect on the company's inventory price

. The results of this study contradict the research of Lia Agustina (2018) and Liya Ariyani, Rita Andini and Edi Budi Santoso (2016) which states that the results of the study, the debt to equity ratio has a bad and tremendous effect on inventory prices. The effects of this have a look at are in line with studies conducted by Efrizon (2019), Lutfi (2018) and Reynard and Lana (2013) which state that the debt to equity ratio has no effect on stock prices. This means that if the value of debt to equity ratio increases or decreases, it does not affect the increase or decrease in stock prices. This means that the management of the funds and the amount of the company's debt compared to the equity capital used by the company to carry out its operational activities does not affect investors' decisions to invest their capital in the company, so that it does not have an impact on share price movements in the company.

Effect of Earning Per Share on Share Prices in construction and constructing sub sector businesses listed at the Indonesia Stock Exchange inside the 2014-2018 period.

T-test results and the coefficient of determination of 0.8225 shows that earnings per share have no effect on stock prices, meaning that if the value of earnings per share rises or falls does not affect the company's stock price. This research is contrary to the results of research conducted by Lutfi (2018) and Efrizon (2019) which states that earnings per share have a significant effect on stock prices. This study is in line with the results of research conducted by Ema Novasari (2013) and Firman Maulana (2014) which states that earnings per share have no effect on stock prices. This means that earning per share variable cannot be used to predict stock prices in construction and building sub sector companies. Companies often do not share the profits obtained in the form of dividends to shareholders where the investor's goal is to invest their capital to obtain returns and capital gains to get the returns obtained from dividends. Companies often do not distribute dividends because of various things, for example the company is experiencing financial difficulties or the company is in need of funds to invest so it must hold all revenue to finance the company's investment activities.

CONCLUSION

1. Debt to Equity Ratio and Earning Per Share have an effect simultaneously on the variable of Share Prices in the construction and building sub sector companies listed on the Indonesia Stock Exchange Period 2014-2018.

2. Debt to Equity Ratio has no partial effect on the share price variable in the construction and building sub sector companies listed on the Indonesia Stock Exchange for the 2014-2018 Period
3. Earning Per Share has no effect on share prices in construction and building sub-sector companies listed on the Indonesia Stock Exchange in the 2014-2018 Period.

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