

Effect of Return on Equity, and Earnings Per Share Against the Debt to Equity Ratio of Stock Price the Listed Agribusiness Company The Indonesian Stock Exchange Year 2011-2016

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Abstract: This study aimed to examine the effect of return on equity (ROE), earnings per share (EPS) and debt to equity ratio (DER) to the stock price on agribusiness companies listed in Indonesia Stock Exchange. Samples were taken from the financial statements of listed agribusiness company in the Indonesia Stock Exchange (BEI) during the period 2011-2016. The sampling method with purposive sampling method in accordance with the criteria specified. The collected data were analyzed using data analysis first conducted classical assumption test before hypothesis test. Testing the hypothesis in this study using multiple regression analysis with f test, t test and the coefficient of determination. The results of this study showed that the coefficient of determination obtained a value of 0.832, which means that 83.2% of the stock price is affected return on equity (ROE), earnings per share (EPS) debt to equity ratio (DER) of the remaining 16.8% is influenced by other variables outside of this research, Hypothesis test results that return on equity (ROE) and earnings per share (EPS) significantly affect the stock price, while debt to equity ratio (DER) did not significantly affect the stock price,

Keywords : ROE, EPS, DER, and stock prices

1. INTRODUCTION

The development of the agribusiness sector in Indonesia each year has increased. Agribusiness development in Indonesia can not be separated from the government factors and economic factors. Because agribusiness contribute significantly to the country's development, the government should be more serious in efforts to improve the development, production and marketing. In the development process of every year there are different problems, but the problems can be overcome by governments and businesses in order to prepare the stakeholders to deliberate on planning, implementation and evaluation.

One way to support the promotion of agribusiness development by attracting funds from outside the

company, for a smooth and survival can be obtained from the capital market. The capital market as an indicator of a country's economy. According Tandelilin (2001) The stock market is a means of convergence between the parties have more money and those who need the funds by way of transacting securities. The capital market has a function as the establishment of a fund for financing the company. In other words, the funds obtained from investors acquired company can be used for the operations of the company. There are several types of securities traded on the stock market, one of which is stock. Shares of the company asset that can be traded in the capital markets that have a high risk so as to invest capital market investors to be more careful and experienced in taking decisions. In taking the decision to

invest the investor first analyzing the accounting information contained in the financial statements. Analyze financial statements using financial ratios can be used as consideration for determining stock prices. The stock price is a picture of the condition of a company, so the company had to adjust its management in order to further enhance the company's value, as it can affect the company's stock price increases. High stock prices will provide benefits to investors and companies. There are several ratios presented in the financial statements of the company's performance. A company's performance is one of the factors that affect stock prices. The variables used include Return On Equity (ROE) is the ratio to determine how much the results obtained from the investment company, Earning per Share (EPS), which is the ratio between net income by the amount per share and Debt to Equity Ratio (DER), which is the ratio of debt to equity.

In this study, the authors conducted a study entitled Effect Return on equity (ROE), Earning per share (EPS) and Debt to equity ratio (DER) to the stock price on the companies listed in Indonesia Stock Exchange in 2011-2016.

2. RESEARCH METHODOLOGY

The data used in this research is secondary data. Secondary data is data in the form of published financial statements in Indonesian Stock Exchange (BEI). Respondents were used in this study is an agribusiness company listed on the Indonesia Stock Exchange.

3. DATA ANALYSIS METHOD

3.1 Classic assumption test

Classic assumption test is required prior to testing the hypothesis. This test consists of normality test, multicollinearity, heteroscedasticity test and test autokolerasi.

3.2 Regression analysis

This analysis is used to determine the effect of the dependent variable (bound) with the independent variable (free).

$$Y = a + \beta_1 X_1 + X_2 + \beta_3 \beta_2 X_3 + e$$

Information :

Y	=	Variable Bound (stock price)
a	=	constant
$\beta_1 \beta_2 \beta_3$	=	Regression Coefficients
X1	=	Variables (ROE)
X2	=	Variables (EPS)
X3	=	Variebel Free (DER)
e	=	error

3.3 Test F

F statistical test used to test whether all the independent variables (independent) simultaneous effect on the dependent variable (dependent). If $F_{\text{arithmic}} < F_{\text{table}}$, then H_a H_o accepted and rejected, which means independent variables have significant influence amounted to 0.05. And if $F_{\text{arithmic}} > F_{\text{table}}$, then rejected H_a H_o accepted meaning independent variable has no effect on the dependent variable Ghozali (2011).

3.3.1 Test t

The t-test was used to test the effect of each independent variable or partially ROE, EPS and DER to the stock price on

agribusiness companies listed in Indonesia Stock Exchange in 2011-2016.

3.3.2 Coefficient of Determination

The coefficient of determination test is used to determine how far the ability of the independent variable (independent) in explaining the dependent variable (dependent). The coefficient of determination.

4. RESULTS AND DISCUSSION

4.1 Normality test

Table 1 Test Normality

variables	Sign	probability	Information
Asymp Sig (2-tailed)	0.185	0.05	Normal

Source: Data, 2017

Based normality test results showed that the significant value of 0.185. Sig Asymp value well above 0.05 then, it can be concluded the data were normally distributed.

4.2 Test Multicollinearity

Table 2 Test Multicollinearity

variables	tolerance	VIF	Information
ROE	0,459	2,177	No Problem Multicollinearity
EPS	0,145	2,047	No problem Multicollinearity
DER	0.802	1,248	No problem Multicollinearity

Source: Data, 2017

Based on the test results multikolinearitas can be seen that the value of tolerance for all

variables were above 0.1 and VIF is less than 10. Because the tolerance value of 0.1 and VIF kurng of 10 then, it can be concluded that there is no multicollinearity in this study.

4.2.1 Test Autokolerasi

Table 3 Test Autokolerasi

Durbin-Watson	provision	Information
2,224	1:55 to 2:46	No problem autokolerasi

Source: Data, 2017

Based on the test results autokolerasi can be concluded that the value of Durbin Watson earned 2,224. This value lies between 1:55 to 2:46 then, the independent variable in the regression equation does not happen autokolerasi.

4.2.2 Test Heteroskidastity

Table 4 Test Heteroskidastity

variable	Sig. (2-tailed)	Standards	Information
ROE	0.591	> 0.05	No problem Heteroskidastity
EPS	.387	> 0.05	No problem Heteroskidastity
DER	0.131	> 0.05	No problem Heteroskidastity

Source: Data, 2017

Based on the test results it can be concluded that heteroskedastisitas ROE, EPS and DER is above 0.05. So it does not happen heteroskedastisitas regrsi models.

4.3 Regression Testing

Table 5 Regression Testing

Model	B	Information
constant	269.757	ROE, EPS, DER is 0, the stock price 269.757
ROE	-1126	Increment 1 ROE, will lower the stock price -1126
EPS	0.525	Increment 1 EPS, will raise the price of 0.525 shares
DER	-0.876	Increment 1 DER, will lower the stock price -0.876

Source: Data, 2017

4.4 Hypothesis Testing

4.4.1 Test F

Table 6 Test F

keterangan	Fhit	Ftable	Sig	result
F Test	57.246	3:30	.000 ^a	Ha accepted

Source: Data, 2017

Based on the results of the F test can be concluded that F count > F table (57.246 < 3:30) and the significant value > 0.05 (0.000 > 0.05), so H₀ rejected and H_a accepted meaning, ROE, EPS and DER affect stock prices.

4.4.2 Test t

Table 7 Test t

Variebel	t	T Table	Sig.	Std	Information
ROE	-5658	2,040	.000	0:05	Be accepted
EPS	11.242	2,040	.000	0:05	Be accepted
DER	-976	2,040	.336	0:05	Rejected

Source: Data, 2017

Based on t test results can be concluded sumpwa:

- Value t < t table (-5658 < 2.040) and a significant value of < 0.05 (0.000 < 0.05), that is to say, H₀ refused and H₁ accepted

that, it can be concluded ROE negatively affect the stock price.

- T count > t table (11.242 > 2.0040) and a significant value of < 0.05 (0.000 < 0.05), that is to say, H₀ refused and H₂ is accepted so that, it can be concluded EPS positive effect on stock prices.
- Value t < t table (-0.976 < 2.040) and a significant value > 0.05 (0.336 > 0.05) means that H₀ is accepted and H₃ is rejected, thereby dpat DER concluded no effect on stock prices.

4.4.3 Coefficient of Determination

Table 8 Test Coefficient of Determination

Model	Adjusted R Square	Information
ROE, EPS, DER	0.832	The independent variable can affect the dependent variable

Source: Data, 2017

Based on the results of the dependent variable coefficient determination test or stock prices, influenced by the 83.2% by independent variable or ROE, EPS and DER. It can be seen from the value of Adjusted R Square 0.832. While 16.8% are influenced by other variables that are not included in the study.

5. DISCUSSION

5.1 ROE ratio influence on stock price

Based on the testing that was done, the results of this study indicate that ROE affect stock prices. It can be seen from the level of ROE value $t < t_{table}$ (-5658 < 2.040) and a significant value of < 0.05 (0.000 < 0.05), means that H_0 refused and H_1 accepted. So ROE negatively affect the stock price. Thus the first hypothesis of this study is accepted.

This study received the hypothesis has been advanced that ROE affect stock prices. The results are consistent with research Indrawati, et al (2014) which states that the ROE and significant effect on stock prices. Thus proving that the level of high stock prices are influenced by the company's low ROE.

5.2 EPS ratio influence on stock price

Based on the testing that was done, the results of this study indicate that the EPS effect on stock prices. It can be seen from the level of EPS $t > t_{table}$ (11 242 > 2.040) and a significant value of < 0.05 (0.000 < 0.05), means H_0 rejected and accepted H_2 . So EPS positive and significant effect on stock prices. Thus the second hypothesis of this study is accepted.

This study received the hypothesis has been advanced that the EPS effect on stock prices. The results are consistent with research Saryadi, N (2016) which states that the EPS positive and significant effect on stock prices. So it can be proven that the higher the company's ability to, distributed

profits to investors, the greater the success of his accomplishments.

DER Ratio 5.3 Effect on stock price

Based on the testing that was done, the results of this study indicate that the DER has no effect on stock prices. It can be seen from the DER value of $t < t_{table}$ (-0976 < 2.040) and a significant value > 0.05 (0336 > 0.05) means that H_0 is accepted and rejected H_3 . So DER no effect and no significant effect on stock prices. Thus the third hypothesis of this study was rejected.

This study rejects the hypothesis has been advanced that the DER has no effect on stock prices. The results of this study are not consistent with research Sholeha (2017) which states that the DER positive and significant effect on stock prices. Thus proving that the level of stock prices is not affected by high or low ratio of DER owned enterprises.

6. CONCLUSION

The purpose of this study was to determine the effect of ROE, EPS and DER to the stock price to test the hypothesis simultaneously or partially. This study was conducted on 6 agribusiness company listed on the Indonesia Stock Exchange in 2011-2016.

The result of the first hypothesis shows that ROE significant negative effect on stock prices, which means a high ROE ratios show that the better the performance of the company. High ROE means high equity returns, will attract investors to invest. Because of the invested funds in the form of equity will earn high returns in the future and

will also affect the increase in its share price.

Results showed that the second hypothesis EPS positive and significant effect on stock prices. The higher the value of EPS will increasingly attract the interest of investors to invest, because the value of EPS show a profit entitled to be obtained by shareholders or one share owned. This makes the demand for stocks will increase and the share price will increase.

The results showed that the DER third hypothesis has no effect and no significant effect on stock prices. DER is high, there is a possibility of the company's stock price will be low because if the company makes a profit, companies tend to use the profits to pay liabilities than distribute profits to shareholders of the company.

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