

ANALYSIS OF THE RETURN ON ASSETS (ROA) AND EARNING PER SHARE (EPS) ON STOCK PRICES WITH PRICE EARNING RATIO (PER) AS A MODERATING VARIABLE IN CORPORATE BANKING IN INDONESIA

Saleh Sitompul¹, Sri Rahayu², Nurhudawi³, Siti Khadijah Nasution⁴

¹STIE ITMI, Medan, North Sumatera-Indonesia

²Department of Management, Universitas Pembangunan Panca Budi Medan, North Sumatera-Indonesia

³University Islamic State North Sumatra (UINSU)

⁴University North Sumatra (USU)

Corresponding Author: Saleh Sitompul

Abstract: This study aims to determine and analyze the influence of Return On Asset (ROA) and Earning Per Share (EPS) on Stock Prices the Banking Companies listed in Indonesia stock Exchange. The sampling technique used is purposive sampling and the number of samples used as many as 20 banking companies. The variables used in this study is Return On Assets variable (ROA) and Earning Per Share (EPS) as independent variables; the Stock Price as the dependent variable; and Price Earnings Ratio (PER) as a moderating variable. The method of analysis used in this research is the Analysis of the Descriptive Statistics, the Classical Assumption Test, Hypothesis Test, Regression Analysis Bergand and Moderated Regression Analysis (MRA). The results of this research show that Return On Assets (ROA) and Earning Per Share (EPS) simultaneously significant effect on stock prices. Result of partial test shows the Return On Assets (ROA) has no significant effect on stock price and Earning Per Share (EPS) significantly influence stock prices. In addition with the results of the Moderated Regression Analysis (MRA) shows that the Price Earning Ratio (PER) is able to moderate the relationship between Return On Assets (ROA), Earning Per Share (EPS) with Stock Price.

Keywords: Stock price, Return On Assets (ROA), Earning Per Share (EPS), and Price Ratio (PER)

1. INTRODUCTION:

The banking industry plays an important role for economic development as the intermediary parties that the excess funds with those who need funds in accordance with the Laws of the Republic of Indonesia No. 10 year 1998 about banking, article 1 paragraph (3) states that “Public Bank is a bank conducting conventional business and or based on sharia principles in its activities providing services in payment traffic.”

Intense competition in the effort of raising the funds done banks start to increase. Increasing competition, especially caused by the increasing number of new banks, accompanied by the appearance of products-savings products and deposits that are increasingly offering better profit. Given the funds obtained to be one of the factors that support the bank's business activities, especially for the needs of the provision of a credit facility then the bank will seek to obtain such funds. One of the efforts is through the sale of shares in the capital market.

Trading securities is a way to attract funds from the public. In this case investors to develop the economy where the fund is capital required the company to expand its business. With it sells stock in the capital market means that people are given the opportunity to have and earn a profit. In other words, the capital market can help the income of the community. The motives of companies that sell shares to acquire funds that will be used in the development of its business and for investors is to earn income from their capital. From the activity of the capital market, the stock price is a very important factor and must be

considered by investors in making investment because the stock price shows the achievements of the issuer, the stock price movement in line with the performance of the issuer. If the issuer has achievements which is getting better then the profit that can be generated from the operation of the business getting bigger. In such conditions, the stock price of the issuer concerned will rise. The stock price also shows the value of a company.

Investors are interested to invest in the capital market due to the presence of information disclosure. One of the necessary information in the capital market are the financial statements of the company, in which there is information about the net profit of the company. Basically the financial report is one source of important information used by investors in assessing and analyzing the performance of the company. According to Cashmere (2009), the Purpose of analysis of financial statements is “to know the financial position of the company within a certain period, both the assets, liabilities, capital, and business results that have been achieved for some period as well as to know the strength of what is owned and the weakness of any deficiency of the company”

Financial statements the form of balance sheet and income statement of a company, when prepared well and can accurately give a picture of the real situation about the results or accomplishments that have been achieved by a company during a specific period of time. This condition will be used to assess the performance of the company.

Financial statement information for external parties (shareholders, investors and creditors) is used to analyze the company's stock (purchases, sales and keep stock holding company), provide loan funds, and predict the financial strength of the company in the future. Information on the financial statements that both can produce a good decision for investors.

The stock price always changes every day. Therefore, investors should be able to pay attention to factors that affect stock prices. The price of a stock can be determined from the demand and supply price (bargaining power). More and more people are buying a stock, then stock prices tend to move upwards. Likewise, on the contrary, more and more people sell shares of a company, the stock price tends to move down. Factors affecting the fluctuations in stock prices can be derived from both internal and external. As for the internal factor, among others, are corporate profits, growth of assets annual liquidity, the value of the total and sales. Meanwhile, the external factors are government policy and its impact, the movement of interest rates, fluctuations in currency exchange rates, rumors and market sentiment as well as of the business combination.

Assessment the decision to invest in the capital market and assess the healthy or failure of a company, usually assessed is the financial performance of the company concerned. Sector banking industry is also a sector that is prone to risk because this sector is associated with a confidence level above a refund in the future. Good or bad financial performance can be measured by using financial ratios. The ratio commonly used in measuring the financial performance of the bank's solvency ratio (capital adequacy), liquidity ratio and profitability ratio.

As for the financial ratios used in this study is Return On Assets (ROA), Earning Per Share (EPS), Price Earning Ratio (PER). Return On Assets (ROA) shows the ability of the capital invested in total assets in generating profits. Return the company will be increased if the company profits increase. This will increase the confidence of investors to invest their capital.

Earning Per Share (EPS) describes the amount of profit that will be earned by the investor for each share of common stock they have, the higher the value of EPS, shows that the company is able to provide a level of welfare that is better to the holders of the shares, this will increase the confidence of investors to invest in the company and the company's stock price will also be increased. EPS is considered as the information that is most fundamental and useful because it can describe the prospects of earning in the future.

Price Earning Ratio (PER) is the ratio between the market price of a stock with the Earning per Share (EPS) of the stock concerned. The usefulness of PER is to see how the market appreciates the performance of a company's stock against the performance of the company as reflected by the EPS of his. The greater the PER of a stock then the stock is more expensive versus the net income per shares.

2. LITERATURE REVIEW:

A. Stock

Stock is one of financial market instruments the most popular. Issuing stock is one of the options when the company decided to finance the company. On the other hand, a stock is an investment instrument that has been chosen because stock investors are able to provide an attractive rate of return. The stock is a piece of paper stating that the owner of such paper is the owner of the company issuing such securities (Darmadji and Fakhrudin 2016).

B. Return On Assets (ROA)

Return on Assets (ROA) is one form of profitability ratios to measure a company's ability to generate profits. This ratio shows how much net profit obtained by the company measured from the value of its assets. The larger the ROA, the better the productivity of the asset in obtaining the net profit. This will further increase the attraction of investors to the company.

C. Earning Per Share (EPS)

Earning Per Share (EPS) is used to measure the success of management in achieving profit for the owners of the company. EPS describe the profitability of the company seen in each of the sheet stock. The higher the value of EPS, the greater the profit and the possibility of increasing the amount of dividend received by the shareholders. The higher the EPS, the more expensive the price of a stock.

D. Price Earning Ratio (PER)

Price Earning Ratio (PER) is the ratio between the market price of a stock with the Earning per Share (EPS) of the stock concerned. The usefulness of PER is to see how the market appreciates the performance of a company's stock against the performance of the company as reflected by the EPS'nya. The greater the PER of a stock then the stock is more expensive versus the net income per shares.

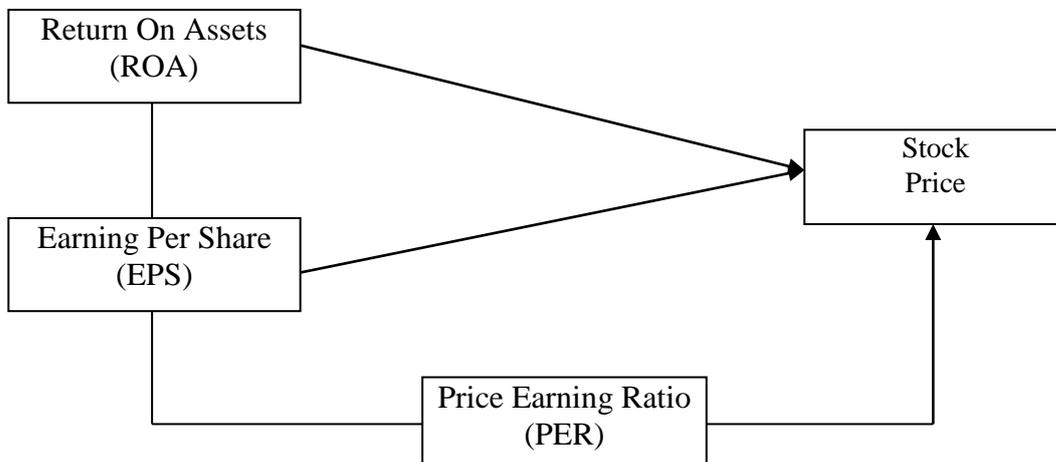


Figure 1. Conceptual Framework

Hypothesis

- Return On Assets (ROA) significantly influence Stock Prices.
- Earning Per Share (EPS) significantly influence Stock Prices.
- Simultaneous Return On Assets (ROA), Earning Per Share (EPS) significantly influence Stock Prices.
- Price Earning Ratio (PER) is able to moderate the relationship between Return On Assets (ROA) against Share Price.

- Price Earning Ratio (PER) is able to moderate the relationship between Earning Per Share (EPS) on Stock Prices.

3. RESEARCH METHODS:

This research is a kind of associative research with causal relationships (cause-effect), namely research that aims to analyze the relationship between one variable with other variables. With this research it can be built a theory that can serve to explain, predict or control the symptoms.

The population of this research is corporate-Banking companies listed in Indonesia stock Exchange. The method used in sampling is using purposive sampling, ie sampling technique with certain considerations (generally adapted to the purpose and the research problem). Based on these criteria, then the sample in this research are as many as 20 companies of the 42 companies of the sector banks listed on the stock exchange. So that the total sample of this study amounted to 60 observation research during 3 years from 2018 -2020. Types of data used are secondary data, ie data obtained indirectly or through media intermediaries. Such Data are quantitative on the annual financial report and the closing share price (closing price) of each company obtained from the stock price in the period from the end of the year. As for the source of the data is taken from the official website of the Indonesia stock Exchange (www.idx.co.id) , and the company's website.

Data collection methods used in this research is documentation method. The method of documentation is done by using data derived from documents that already exist. The Data in this study come from the Indonesia stock Exchange website and the website of the bank-bank sample by exploring the financial statements of the bank.

4. RESEARCH RESULT:

The influence of Return On Assets (ROA) against Share Price

Based on the partial test results obtained that the Return On Assets (ROA) not significant effect on Stock Prices in the Banking Companies listed in Indonesia stock Exchange. It is seen from $t_{count} 1,276 < t_{table} 2,002$ and significance $0,207 > 0,05$. This research is in line with research conducted Sasongko (2003) stated that the ROA did not significantly influence the stock price.

The influence of Earning Per Share (EPS) to Stock Price

Based on the partial test results obtained that the Earning Per Share (EPS) significantly influence Stock Prices the Banking Companies listed in Indonesia stock Exchange. It is seen from $t_{count} 11,047 > t_{table} 2,002$ and the significance of $0,000 < 0,05$. This research is in line with research conducted Kurnianto (2013) which states that EPS has positive and significant effect on stock prices.

Simultaneous influence of the Return On Assets (ROA), Earning Per Share (EPS) significantly influence Stock Prices.

The results showed that the simultaneous Return On Assets (ROA), and Earning Per Share (EPS) significantly influence Stock Prices the Banking Companies listed on the Indonesia stock Exchange. The results of this study show that if the Return On Assets (ROA) and Earning Per Share (EPS) improved, then the company's Stock Price can be increased.

Price Earning Ratio (PER) is Able to Moderate the Relationship Between Return On Assets (ROA) Against Share Price.

From the results of the study showed that the PER is able to moderate the relationship between ROA with the Stock Price. Seen from the level of significance is smaller than 0.05 ($0,032 < 0,05$).

Price Earning Ratio (PER) is able to moderate the relationship between Earning Per Share (EPS) on Stock Prices.

From the results of the study showed that the PER is able to moderate the relationship between the EPS by the Stock Price. Seen from the level of significance is smaller than 0.05 ($0,000 < 0,05$).

5. CONCLUSIONS:

- Testing partial hypothesis, the results showed that Return On Assets (ROA) has no significant effect on Stock Prices in the Banking Companies listed in Indonesia stock Exchange. While, the Earning Per Share (EPS) significantly influence Stock Prices the Banking Companies listed in Indonesia stock Exchange.
- Simultaneously the Return On Assets (ROA), and Earning Per Share (EPS) significantly influence Stock Prices the Banking Companies listed on Indonesia stock Exchange.
- The results of the testing through Moderated Regression Analysis (MRA) shows that the Price Earning Ratio (PER) is able to moderate the relationship between the Return On Assets (ROA), Earning Per Share (EPS) with Stock Price.

6. RECOMMENDATIONS

- For further research it is recommended can add other variables that influence the stock price and multiply the years of research.
- For banking management who want to increase the value of the company using a benchmark of stock prices, it is advisable to pay more attention to the factors that affect the price of the stock, that is through its financial performance.
- For investors or potential investors who want to invest their shares to pay more attention to any developments in the financial performance of the company.

REFERENCES:

1. Brigham, Eugene F dan Joel F Houston, 2010. Dasar-Dasar Manajemen Keuangan, Edisi 11, Salemba Empat, Jakarta.
2. Darmadji, Tjiptono dan Hendy M. Fakhruddin, 2006. Pasar Modal Di Indonesia, Pendekatan Tanya Jawab, Edisi Kedua, Salemba Empat, Jakarta.
3. Ghozali, Imam. 2013. Aplikasi Analisis Multivariate dengan Program SPSS 21, Badan Penerbit Universitas Diponegoro, Semarang.
4. Halim, Abdul. 2005. Analisis Investasi, Edisi Kedua, Salemba Empat, Jakarta. Harahap, Sofyan S. 2008. Analisis Kritis Atas Laporan Keuangan. PT Raja Grafindo Persada. Jakarta.
5. Kasmir, 2008. Bank dan Lembaga Keuangan Lainnya, Edisi Revisi 8, PT RajaGrafindo Persada, Jakarta.
6. Kurnianto, Ajeng Dewi. 2013. Analisis Pengaruh EPS, ROE, DER, Dan CR Terhadap Harga Saham Dengan PER Sebagai Variabel Moderating (Studi Kasus Pada Saham Indeks LQ45 Periode 2009-2011 Yang Terdaftar Pada Bursa Efek Indonesia). FEB Universitas Diponegoro.
7. Lambey, Robert. 2013. Analisis Pengaruh Rasio Keuangan terhadap Harga Saham pada Bank di Bursa Efek Indonesia. Fakultas Ekonomi dan Bisnis Universitas Sam Ratulangi, Manado.
8. Liana, Lie. 2009. Penggunaan MRA dengan SPSS untuk Menguji Pengaruh Variabel Moderating terhadap Hubungan antara Variabel Independen dan Variabel Dependen. Jurnal FE Universitas Stikubank, Semarang.
9. Rochaety, Ety, dkk. Metodologi Penelitian Bisnis Dengan Aplikasi SPSS. Edisi Revisi, Mitra Wacana Media, Jakarta.
10. Tandililin, Eduardus, 2001. Analisis Investasi dan Manajemen Portofolio, Edisi Pertama, BPFE, Yogyakarta.
11. Venusita, Lintang. Partisipasi Anggaran dan Keterlibatan Kerja terhadap Senjangan Anggaran dengan Komitmen Organisasi sebagai Variabel Moderasi. Jurnal Universitas Widya Kartika, Surabaya.
12. Wild, John J. K.R. Subramanyam, dan Robert F.Hasley, 2005. Financial Statment Analysis, Alih Bahasa Yanivi S. Bactiar, S. Nurwahyu Harahap, Analisis Laporan Keuangan, Edisi Delapan, Buku Satu, PT Salemba Empat, Jakarta.