

# Effect of Earnings per Share, Current Ratio, Capital Structure, Return on Equity Ratio, and Debt Ratio to Share Price in Trading and Investment Companies Listed on the Indonesia Stock Exchange Period 2017 to 2019

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## ABSTRACT

The purpose of this research is to analyze effect of earnings per share, current ratio, capital structure, return on equity ratio, and debt ratio to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. The research approach is associative quantitative. The population used is 77 Trading and Investment Companies listed on the Indonesia Stock Exchange period 2017 to 2019 and a sample of 60 data is obtained from purposive sampling technique. The analysis technique uses multiple linear regression analysis. The results show that earnings per share have a positive and significant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Current ratio has a negative and insignificant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Capital structure has a positive and significant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Return on equity ratio has a negative and insignificant effect to share price. Debt ratio has a negative and significant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019.

**Keywords:** Earnings per Share, Current Ratio, Capital Structure, Return on Equity Ratio, Debt Ratio, Share Price

## INTRODUCTION

The capital market is defined as a place where funds are invested in the company. In 2019 the trade and investment sector became one of the indices that had less than excellent performance and decreased to 2.73%. Even though the movement of the trade and investment indices sectorally is unsatisfactory, there are still a number of shares that are of interest to investors.

The stock price describes the value of the company. The high stock price is a sign of the high value of the company. Likewise, low stock prices are a sign of low company value so that companies can issue their shares in the capital market. The factors influencing stock prices are earnings per share, current ratio, capital structure, return on equity ratio, and debt ratio.

According to Supriyadi and Sunarmi (2018:452), earnings per share includes the ratio of the ability per share to generate profits. Large earnings per share generate profits and can increase stock prices.

The liquidity factor has an influence on stock prices, especially the current ratio. Usually, the operations of liquid companies

have a tendency to run smoothly and if the operations run smoothly, it can be ensured that it will lead to increased profits and be able to increase stock prices.

The company's activities are inseparable from the external or internal capital structure. The capital structure related to stock prices is reflected in the value of the debt to equity ratio which has a negative relationship with stock prices. This is a sign of a large debt to equity ratio with a falling stock price.

The return on equity ratio is a measure of the ability to earn net profit after tax with one's own capital. If the return on equity ratio is high, it is a sign of good company performance and high stock prices.

The company's operating activities involve the debt ratio measuring the debt to asset ratio. The debt ratio includes the company's sacrifice to pay obligations in the future. The greater the debt to asset ratio, based on the data showing that the net profit after tax at AKRA in 2019 has increased causing the share price to fall, the increase in net profit should have increased the share price. AKRA's equity in 2019 experienced an increase causing the share price to fall. An increase in equity should have increased the share price. BOGA's current assets in 2019 decreased, causing the share price to rise, when current assets should have increased, the stock price had risen. The total debt of LTLS in 2018 increased with the rising share price. The total debt increase should decrease the share price. LTLS's total assets increased in 2018 with the rising share price, the increased total assets should have decreased the share price.

The purpose of this research is to analyze effect of earnings per share, current ratio, capital structure, return on equity ratio, and debt ratio to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019.

## **LITERATURE REVIEW**

### **Effect of Earnings per Share to Share Price**

High net profit indicates high earnings per share, a sign of good profitability and high increases investors' confidence in investing and a high price-earnings ratio increases their share price. Bahri and Darmayanti (2017:350) high earnings per share increase the company's stock price. Utami and Darmawan (2018:80) increase earnings per share for investors in taking increased stock requests.

### **Effect of Current Ratio to Share Price**

The high liquidity is the cause of the decline in share price. Nur'aidawati (2018:74) a high current ratio in payment of current debt can increase share price. Rahmadewi and Abundati (2018:2115) a low current ratio is the cause of a decline in share price.

### **Effect of Capital Structure to Share Price**

The company prefers internal funding rather than external funding in the form of debt which can cause a decrease in share prices. Alipudin and Oktaviani (2016:9), a high debt to equity ratio means a low stock price. Sutapa (2018:14) the higher the debt to equity ratio can be the cause of a decrease in share price.

### **Effect of Return on Equity Ratio to Share Price**

The lower the profit earned from the investment means that the investment is less attractive, causing the decline in share price and vice versa. Alipudin and Oktaviani (2016:8) a high return on equity ratio can drive up share price. Rahmadewi and Abundati (2018:2115-2116) a high return on equity ratio results in high share price and a low return on equity ratio causes low share price. Putranto and Darmawan (2018:113) state that high slaba can also increase share price.

### Effect of Debt Ratio to Share Price

There is an increase in corporate debt, the stock price falls as well as if the debt decreases, the stock price increases. Supriyadi and Sunarmi (2018:452) The greater the debt, the lower the stock price. Bahri and Darmayanti (2017:350) state that external sources of funding and own capital reduce the company's cost of capital and will then increase the company's share price.

### RESEARCH METHODS

The research approach is associative quantitative. Associative quantitative to show the relationship between the two and more variables. Having a causal relationship shows the relationship between the independent variables and the dependent variable (Sugiyono, 2017). The type of research is quantitative and numbers are presented. His research collects data through documentation and literature review.

The population used is 77 Trading and Investment Companies listed on the Indonesia Stock Exchange period 2017 to 2019 and a sample of 60 data is obtained from purposive sampling technique.

The analysis technique uses multiple linear regression analysis. Multiple linear regression analysis is a regression model that involves more than one independent variable (Ghozali, 2018). Multiple linear regression analysis is carried out to

determine the direction and how much influence the independent variables have on the dependent variable.

### RESULT

#### Descriptive Statistics

The research results show that:

1. Earnings per share with a maximum value of 653.57, a minimum value of 1.25, a mean value of 102.0062, and a standard deviation of 118.86015.
2. Current ratio with a maximum value of 16.34, a minimum value of 0.72, a mean value of 2.6007, and a standard deviation of 3.33782.
3. Capital structure with a maximum value of 4.29, a minimum value of 0.04, a mean value of 1.1242, and a standard deviation of 0.92441.
4. Return on equity ratio with a maximum value of 0.82, a minimum value of 0.02, a mean value of 0.1305, and a standard deviation of 0.14986.
5. Debt ratio with a maximum value of 0.81, a minimum value of 0.03, a mean value of 0.4563, and a standard deviation of 0.18402.
6. Share price with a maximum value of 10,975.00, a minimum value of 60.00, a mean value of 1412.3333, and a standard deviation of 1918.78208.

### Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression Analysis Coefficients<sup>a</sup>

Model	Unstandardize		StandardizedCoefficients			
	Std. Error		Beta	t	Sig.	
1	(Constant)	7.144	.483		14.804	.000
	EPS	.008	.001	.902	5.520	.000
	CR	-.014	.036	-.044	-.396	.694
	DER	.913	.286	.778	3.192	.002
	ROE	-1.157	1.152	-.160	-1.004	.320
	DAR	-4.733	1.530	-.803	-3.093	.003

a. Dependent Variable: Ln\_Share Price

The results show that earnings per share (EPS) has a positive and significant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Current

ratio (CR) has a negative and insignificant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Capital structure (DER) has a positive

and significant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Return on equity ratio (ROE) has a negative and insignificant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Debt ratio (DAR) has a negative and significant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019.

## CONCLUSION AND SUGGESTION

The results show that earnings per share have a positive and significant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Current ratio has a negative and insignificant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Capital structure has a positive and significant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019. Return on equity ratio has a negative and insignificant effect to share price. Debt ratio has a negative and significant effect to share price in Trading and Investment Companies Listed on the Indonesia Stock Exchange period 2017 to 2019.

From these conclusions, suggestions can be given, namely:

1. Management needs to pay attention to share price movements where this share price can encourage investors to invest. This share price also has an impact on earnings per share, current ratio, capital structure, return on equity ratio, and increased debt ratio. Management should make efforts to maintain earnings per share and return on equity ratio thereby obtaining a stable share price.
2. It is hoped that this research can provide additional knowledge to be used as a contribution of ideas or information in developing accounting knowledge,

especially regarding earnings per share, current ratio, capital structure, return on equity ratio, and debt ratio have an influence on share price.

3. Future researchers can use the results of this study as a reference and use similar variables, similar analytical methods but different samples and populations and suggest researchers to add other variables that affect share price.

## Declaration by Authors

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**Conflict of Interest:** The authors declare no conflict of interest.

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