
THE INFLUENCE OF ROE, EPS, AND PER ON COMPANY'S SHARE PRICE

(Study on companies listed on JII70 in 2019- 2021)

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Abstract

This study was conducted on purpose to help determining whether there is found such a significant influence between ROE, EPS, and PER toward prices of share.

The approach method applied in this research is quantitative approach. The results for ROE show a value of significance of $0.000 < \alpha = 0.05$, which can be claimed that there I found such a significant influence of ROE and stock prices. EPS shows a value of significance of $0.000 < \alpha = 0.05$, it can be seen that there is a significant effect of EPS and stock prices. PER shows a significance value of $0.429 > \alpha = 0.05$, it can be known that there is no found any effect of PER and stock prices. According to the F test result, it can be known that ROE, EPS, and also PER simultaneously influence the stock prices.

Keywords : ROE, EPS, PER, Stock Price

Introduction

The capital market is an investment vehicle for investors who have excess funds. Where as in the Islamic context, the Islamic capital market is a type of capital market that contains transaction activities that apply sharia standards or are in accordance with sharia principles, in which securities trading transactions must comply with sharia provisions in accordance with predetermined provisions.

Public interest in investing, especially in stocks, is influenced by the quality of the company that issues the shares. A high share value is reflected in the condition of the company's financial performance, which means that the company can produce good performance. The company's financial report data is usually used as a tool to obtain financial ratio data and make decisions by investors before deciding to buy a stock. (Djazuli & Aisjah, 2016)

To assess stock prices, financial performance analysis is often used by investors to calculate *value* from a company. Investors will usually understand the fund management of companies on the IDX. Thus, the performance of financial ratios can affect the sale and purchase of investors' shares. There are many financial ratios that aim to analyze company performance, including: *ROE*, *EPS*, *DER*, *PER* and others.

The research in this article is based on a number of previous research results that are considered relevant. The following are a number of previous studies used, including: Research from Handayani (2021) entitled The Influence of EPS and ROE on Stock Prices (Case Study of BUMN Banks Registered on the IDX for the 2017-2019 period. Then there is also research from Puspita (Puspita, 2021), entitled ROE Influence, *ROA*, *Earning per Share*, as well as *THE* Against Share Prices (Study of Food and Beverage Sub-Sector Companies Listed on the IDX for the 2018-2020 Period).

Table 1
ROE, EPS, and PER Data

Saham	ROE			EPS			PER		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
ACES	0.21	0.14	0.13	59.50	42.88	41.19	25.13	40.00	31.07
AKRA	0.07	0.09	0.10	179.30	231.23	277.90	22.03	13.75	14.79
BRIS	0.01	0.10	0.12	7.71	223.22	74.40	42.81	10.08	23.92

Source : Processed research data

This research is considered important because there is data from financial ratios that are not in accordance with the theory. Seen on PT Aces Hardware Indonesia Tbk. ROE for the period 2019 to 2020 began to fall from 0.21 to 0.14 but there was also an increase in share prices. Then at PT AKR Corporindo Tbk. EPS for the period 2019 to 2020 has increased from 179.30 to 231.23 but the share price has actually decreased. Furthermore, at PT Bank BRI Syariah Tbk. PER during 2019 to 2020 decreased from 42.81 to 10.08 but the share price in the same period increased. From the data above, there are several financial ratios including ROE, EPS, and PER for companies at JII70 which are not in line with existing theory, so the authors are interested in taking ROE, EPS, and PER to be used as research variables. The purpose of this study was to determine whether there is influence between ROE, EPS, and PER on stock prices.

Literatur Review

From a sharia perspective, the Islamic capital market covers all trading activities in the capital market that apply various Islamic principles and teachings. Referring to this understanding, a number of fundamental factors that support the Islamic capital market are explained, namely the capital market as well as Islamic teachings (Thian, 2021) . Basically, the Islamic capital market is a type of capital market whose implementation is seen from Islamic guidelines and is clearly free from things that are forbidden by Islam, including usury, speculation, gambling, or others. The capital market itself cannot be separated from the overall capital market. In general, buying and selling transactions in this type of capital market are not much different from traditional capital markets. Which the only difference is the product and transaction mechanism. Therefore it can be interpreted that the Islamic capital market is a meeting place between sellers and buyers of securities both in the form of debt and *equity*.

Theoretically, there are two functions that are carried out simultaneously, namely the intermediation function and the financial function. The economic intermediation function of the capital market aims to be a place to bring together those with excess funds and those who need funds. The capital market can also be a means of capital for the business world and for obtaining funds from the public with excess funds. Then the financial function of the capital market is carried out by providing opportunities to gain profits for investors by way of investment. The capital market is a method for the general public to invest through monetary instruments including stocks, bonds and mutual funds. (Abdalloh, 2018)

Shares are a type of securities that are usually traded with the nature of ownership. Shares are proof of ownership of individual capital or business institutions of public companies or types of limited liability companies. (Hermuningsih, 2012) . Referring to Fahmi, the meaning of shares is proof of ownership of capital in the company. (Fahmi, 2012)

Sharia shares are company shares that are registered on the IDX and have been separated based on the suitability of operational activities with sharia guidelines. Sharia

guidelines refer to the principles of Islamic teachings in the view of the DSN MUI fatwa.

Referring to a number of definitions related to shares above, it is interpreted that Islamic shares are securities issued by companies and are a sign of individual or institutional ownership with sharia principles.

According to Husnan & Pudjiastuti, the stock price is the current price (*present value*) of income that will be given to investors in the future. (Husnan & Pujiastuti, 2012). While referring to Jogiyanto, the term share price is the price prevailing in the capital market during the current period and is also influenced by market actors. The rise and fall of share prices is usually determined by demand and supply factors in the capital market. (Husnan & Pujiastuti, 2012; Jogiyanto, 2014)

ROE

Definition of *Return On Equity* (ROE) refers to Kasmir is the measurement ratio against *net profit* after tax with personal capital. ROE assesses the scale of results *return* investment earned. The level is high *return* will make the income that investors expect also increase, with this it can affect the increase in stock prices. (Kasmir, 2016)

Then referring to Irham Fahmi, is the ratio of measurements of the extent to which a company manages resources to generate profit. The formula used to find ROE:

$$ROE = \frac{\text{Net Profit}}{\text{Total Equity}}$$

This ratio is obtained from the distribution of the company's net operating profit to total personal capital. From the definitions of ROE above, it can be concluded that ROE is a type of profitability ratio that measures the scale of returns (*income*) given to the owner of the capital invested in the company. This statement is reinforced by Rosmiati and Suprihadi in their research which states that ROE has a significant effect on stock prices (Suprihadi & Rosmiati, 2016).

EPS

Definition of *Earning Per Share* refers to Fahmi, namely a form of profit sharing for investors and for each share invested (Fahmi, 2012, 98). Darmadji and Fakhrudin argue

that if the value *EPS* Higher prices will indicate greater profits, so that it can cause an increase in the company's stock price due to increased supply and demand factors. (Darmadji & Fakhrudin, 2012).

Formula to search *EPS* a comparison of the value of net income to the number of outstanding shares can be used as follows:

$$EPS = \frac{\text{Net Profit}}{\text{Number Of Shares}}$$

Various studies have been conducted regarding *Earning per Share (EPS)* with the stock price. According to Githa Dhipa Puspita "*Earning per Share (EPS)* has a positive and significant effect on stock prices" (Puspita, 2021).

PER

Referring to Tandeilin revealed that PER is the amount of rupiah from profit that can be provided by investors to invest in shares, PER is the price for each rupiah of profit (Tandeilin, 2010). Meanwhile, according to Wahyudiono what is meant by PER is a type of ratio that indicates the comparison of the prevailing stock price in the market to the profit of all shares. This ratio tries to see the actual value of the stock. This PER provides an analysis regarding share prices that reflect prices that are not fair. (Wahhyudiyono, 2014)

Investors pay close attention to this PER before buying shares, because a high PER indicates that the market value of the shares is also high, so that these shares will attract investors to buy them. This statement was reinforced by Sardiyanti in his research which stated that PER has a positive and significant effect on stock prices" (Sardiyanti, 2016).

Research Methods

This study applies types *method* quantitative research. *Method* Quantitative or research methods that adhere to the philosophy of positivism, aim to study a sample or population, data collection is carried out through research methods, quantitative/statistical data analysis techniques, and also provides testing of the research

hypothesis formulation (Sugiyono, 2017). The population in this study are companies listed on the Jakarta Islamic Index 70 (JII70) for 2019-2021. Election sample done by using method *purposive sampling*, namely a sampling method that is adjusted to certain criteria.

In this study the data collection technique used is documentation. The documentation technique is based on data collection by downloading data from www.idx.co.id, and the websites of each company, as well as other parties related to the publication of data relevant to this research. To find out how much influence ROE, EPS and PER have on the company share price, researchers used multiple linear regression analysis. This analysis is carried out to detect correlations between the dependent variables on various independent variables separately or simultaneously.

Result and Discussion

Deskriptive Statistic Analysis

This descriptive analysis is intended to determine the distribution of the studied variable data. Below is descriptive data from all research variables.

Table 2
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	84	.00	1.45	.1579	.25230
EPS	84	1.11	868.43	136.9540	158.08243
PER	84	3.11	958.50	43.1567	106.75036
HARGA SAHAM	84	260	8400	2377.60	1901.341
Valid N (listwise)	84				

Refer to the results of the average value acquisition table ROE is 0.1579 and the minimum value range is 0.00 to a maximum value of 1.45 and obtains a standard deviation value of 0.25230. It can be seen that in general the company produces an average ROE value of 0.1579 from the comparison between net profit and total equity.

The average value of EPS is 136.9540 and the range of minimum value is 1.11 to maximum is 868.43 and produces a standard deviation value of 158.08243. It can be seen

that in general the company produces an average EPS value of 136.9540 from the comparison between net income and the quantity of shares traded.

The average value of PER is 43.1567 with a minimum value range of 3.11 to a maximum of 43.1567 and has a standard deviation value of 106.75036. It can be seen that in general the company produces an average PER value of 43.1567 from the comparison of share prices with the profit earned for each share.

The average value generated by the stock price is 2377.60 with a minimum value range of 260 to a maximum of 8400 and produces a standard deviation value of 1901.341. It can be seen that in general the company has an average share price of 2377.60 from the closing price of trading each year.

Classic Assumption Test

Normality Test

Table 3
Normality test

		Unstandardized Residual
N		84
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1269.44593425
Most Extreme Differences	Absolute	.094
	Positive	.086
	Negative	-.094
Test Statistic		.094
Asymp. Sig. (2-tailed)		.066 ^c

Normality test is carried out using a parametric test *Kolmogorov-Smirnov*. Based on the results of the normality test, it shows that the significance value of the test is 0.066, which means that it is greater than 0.05. This shows that the data is normally distributed.

Multicollinearity Test

Table 4

Multicollinearity test

Model		Collinearity Statistics	
		Tolerance	VIF
1	ROE	.977	1.024
	EPS	.943	1.061
	PER	.950	1.053

a. Dependent Variable: HARGA SAHAM

The multicollinearity test aims to test whether a regression model finds a correlation between the independent variables. In a good regression model, there should be no correlation between the independent variables. Given the VIF rules (*Variant Inflation Factor*), if a VIF value < 10 is obtained, then in the study it is stated that there is no multicollinearity event. Judging from the table of multicollinearity test results above, it is known that VIF is less than 10, from the variables ROE, EPS and PER each of the three is below 10. Because $VIF < 10$, there is no multicollinearity in this study.

Autocorrelation Test

Table 5

Autocorrelation test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.744 ^a	.554	.538	1293.029	1.996

This test is intended to detect whether a correlation is found in the linear regression model between the residuals during the t period and the residuals in the $t-1$ period. If a correlation is found, it means that autocorrelation is found. To detect symptoms of autocorrelation, it can be seen from the acquisition of the dw value, If the acquisition of the dw value is between DU and $4-DU$, it means that there are no signs of autocorrelation. Referring to table 5, the results show that the acquisition value *Durbin Watson* is 1,996. While value acquisition *Durbin Watson* based on the table $n = 84$, $K = 3$, it is known that the value of $dL = 1.572$ and $dU = 1.719$. This makes the $4-dU$ value ie $4-1.719 = 2.281$. Then value DW is 1.996 which lies between dU and $4-dU$. This means that

there are no autocorrelation symptoms.

Heteroscedasticity Test

Table 6

Heteroscedasticity test

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	.536	.065			8.312	.000
ROE	-.249	.166	-.166		-1.495	.139
EPS	.000	.000	.047		.416	.678
PER	.000	.000	-.054		-.478	.634

This test is intended to detect whether the regression model found differences in variance from observation to other observations. Heteroscedasticity test was run through the implementation of the test *Glazesi*. i.e. do a regression of the value *absolute residual* on the independent variable. Symptoms of heteroscedasticity are known through the significance level of alpha (α) 5%. If the significance is higher than alpha (α), it means that there are no symptoms of heteroscedasticity. Referring to table 6, it can be seen that the significance value (sig) of all variables is above 0.05. produces a higher value than $\alpha = 0.05$. This means that there were no cases of heteroscedasticity found in this research process.

Multiple Linear Regression Analysis

Table 7

Multiple Linear Regression Analysis Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	882.437	220.685		3.999	.000
	ROE	2898.333	569.149	.385	5.092	.000
	EPS	7.235	.925	.602	7.825	.000
	PER	1.084	1.364	.061	.795	.429

Referring to the results of multiple linear regression assisted by SPSS, the following results are obtained:

$$Y = 882,437 + 2898,333 \text{ ROE} + 7,235 \text{ EPS} + 1,084 \text{ PER} + e$$

Referring to this equation can be described:

- 1) In the regression coefficient equation, the resulting constant (B) is 882.437, which means that if there is no change in the ROE, EPS, and PER variables, the value is still 882.437.
- 2) The value of the ROE regression coefficient is 2898.333, if ROE rises to one unit it means that the stock price of the JII70 company will increase by 2898.333.
- 3) The value of the EPS regression coefficient is 7.235, if the EPS variable increases by one unit, it means that the variable (Y) of the stock price of the JII70 company will give an increase of 7.235.
- 4) The value of the PER regression coefficient is 1.084, if the PER variable increases by one unit, the stock price of the JII70 company also increases by 1.084.

T Test

Table 8

T Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	882.437	220.685		3.999	.000
	ROE	2898.333	569.149	.385	5.092	.000
	EPS	7.235	.925	.602	7.825	.000
	PER	1.084	1.364	.061	.795	.429

Referring to the results in table 8, the results of the analysis can be obtained as follows:

a. *ROE* to the stock price

ROE (X1) results in the acquisition of t valuecount(5,092) > $t_{table}(1,989)$ and the sig value (0.000) < $\alpha = (0,05)$ means that H_{a1} received, which means separately *ROE* (X1) produces a positive effect on stock prices.

b. *EPS* to the stock price

EPS (X2) is known to acquire the value of t count(7,825) > $t_{table}(1,989)$ and sig value (0,000) < $\alpha = (0,05)$ makes H_{a2} received, or that partially *EPS* (X2) has a positive influence on stock prices.

c. *PER* to stock price

PER (X3) has a t valuecount(0,795) < $t_{table}(1,989)$ and the acquisition of a sig value (0.429) > $\alpha = (0.05)$ means H_{a3} rejected, or that of terms

Partial *PER* (X3) produces a negative effect on stock prices.

F Test

Table 9

F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	166299092.899	3	55433030.966	33.155	.000 ^b
	Residual	133753917.339	80	1671923.967		
	Total	300053010.238	83			

Referring to table 4.10, the resulting value of $F_{count} = 33.155$, and the value of $F_{table} = 3.11$. Because $F_{count} = 33.155 > 3.11$. It can be concluded that the results of the F test (simultaneous) affect the Y variable, which means that EPS, ROE, and PER simultaneously influence stock prices. The results of this study are in accordance with research conducted by Wahyu Indah Lestari which states that *Return On Equity*, *Earning Per Share* and *Price Earning Ratio* has a simultaneous effect on the company's stock price in the property & real estate sector in 2016-2018.

Determination Test (R^2)

Tabel 10

 R^2 Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.744 ^a	.554	.538	1293.029

From table 10 above, it indicates that the acquisition value of R is 0.744 indicating that X1, X2, X3 are able to influence variable Y strongly, because the acquisition value (R Square) indicates 0.554. The coefficient of determination shows 0.554 equal to 55.4%. The closer to 1, the influence of the three variables the independent variable is very strong on Y. then for the remaining 44.6% (obtained from $100\% - 55.4\% = 44.6\%$) gets influence from other variables besides X1, X2, and X3 outside of the study. Referring to the model summary table, it is interpreted that ROE, EPS and PER have an effect of 54.4% on stock prices, while the rest is determined by the influence of other variables.

Conclusion

If referring to the results of the analysis and discussion, the following conclusions are formulated:

1. Partially variable *ROE* produces a positive influence on the stock prices of companies in JII during 2019-2021 through the *t* value count 5.092 higher than *t* table 1,989.
2. Partially variable *EPS* has a positive impact on the company's share price at JII70 during 2019-2021 where the value of *t* count 7.825 greater than *t* table 1,989.
3. Partially variable *PER* has no effect on the company's stock price in JII70 in 2019-2021 with a value of *t* count 0.795 lower than *t* table 1,989.
4. Simultaneously variable *ROE*, *EPS* as well as *PER* has a positive influence on the share price of companies at JII70 throughout 2019-2021 with a value of *F* count 33.155 greater than *F* table 3,11.

Suggestion

Referring to the description of the conclusions, here are some suggestions that can be formulated, namely:

1. For Companies

For companies, especially companies listed on JII70, they can pay more attention to the company's capability in providing an increase in share prices through increasing company profits and keeping the company's finances stable.

2. For Investors

For investors who will buy company shares, they should not only rely on information from data from *ROE*, *EPS* and *PER*, but it is also necessary to consider various other factors as well as a number of other ratios related to the increase in share prices such as Foreign Cash Flows, Inflation, and other financial ratios.

3. For further researchers

For further research, the researcher can change other variables, but that can also change the research sample so that the next research produces results that are more precise and accurate.

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