American Journal of Multidisciplinary Research & Development (AJMRD)
Volume 2, Issue 7 (July- 2020), PP 76-83
ISSN: 2360-821X
www.ajmrd.com

Research Paper **Open Access**

The Effect Of Current Ratio, Debt To Equity Ratio, Return On Assets On Earning Per Share (Study In Company Group Of LQ45 Index Listed In Indonesia Stock Exchange 2011-2015)

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ABSTRACT:- Companies that will want to earn earnings Pershare should analyze the size of the variable current ratio, debt-to-equity ratio, and return on assets as an indicator measuring tool perushaaan measure to get more earnings per share

This study aims to analyze and provide empirical evidence of the influence of *Current*ratio, debt-to-equity ratio, and return on assets to Earning per share. This analysis uses the independent variables of current ratio, debt-to-equity ratio, and return on assets. Dependent variable is Earning per share.

The sample used is secondary the data derived from the financial statements of LQ45 companies listed in Indonesia Stock Exchange (IDX) in 2011-2015. The sample is taken by purposive sampling method and sample that fulfill the selection criteria. The sample used is 23 companies. Statistical method using Panel Data Regression analysis with t test statistical hypothesis testing and statistical tests F.

Based on the results of testing using Eviews software, simultaneously independent variables consisting of *Current*ratio, debt-to-equity ratio and return on assets have significant influence to Earning per share. While the test partially, the result shows that the variable current ratio no significant effect on Earning per share. Similarly Return On Asset has no significant effect on Earning per share. However, the debt-to-equity ratio variable has a significant influence on Earning per share.

Based on the results of this study, investors and potential investors who will invest should Consider the factors of the fundamental variables of the company, especially variable *Debt to equity ratio*of the company. Because debt-to-equity ratio has an influence on earnings per share the which then can be used as consideration in decision making in investment

Keywords: *Current ratio (CR), Debt to equity ratio (DER), Return on Assets (ROA), Earning per share (EPS)*

I. INTRODUCTION

The company's main purpose is basically to improve and maximize profits owners of the company are reflected in earnings per share or earnings per share. Earning per share is the ratio that indicates the share of profit for each share (Darmadji and Fakhrudin, 2012, 154). EPS is a form of the advantage given to the shareholders of each share of stock owned (Irham Fahmi, 2011, 138).

The importance of this EPS make financial managers in a company seeking to achieve good performance, especially in the use of capital or assets of the company. The size of the EPS is influenced by changes in the variables. In general there are two factors that affect the size of the EPS is the capital structure and the level of net profit before tax and interest. Both factors are equally emphasize on alternative sources of funding through debt or financial leverage. In general, the investment is a capital investment or funds at this time with the hope of gain in the future. By investing in the stock market, investors will benefit in the form of dividends and capital gains. But in investing, of course there is a downside that is often referred to the risk or risks. Risk will always be there in any investment activity, and therefore investors should require a pretty good indicator in making decisions before investing. One such indicator is the earnings per share. Prospective shareholders are interested in earning per share which is great, because this is one indicator of the success of firms (Chelmi, 2013: 1).

Thus, the greater the earnings per share, the better the performance of the company. However, predicting earnings per share in the future, we need an analytical tool to determine whether the resulting financial information useful to determine the development of the earnings per share. One popular analysis tool is

a financial ratio analysis. The ratio in financial statement analysis is a number that shows the relationship between the elements - elements of financial statements are expressed in simple mathematical form (Jurningan 2011; 118)
Before investing, investors first look at the company's performance. Investors will certainly choose a company that has a good performance in order to benefit from the investment. The performance of these companies can be seen from the published financial statements of each period. In general, income information is information that is getting the attention of investors who will invest their shares. But this time information in addition to information about earnings, investors also pay attention to the company's liquidity.

II. BASIS THEORY AND METHODOLOGY

2.1 Shares

Shares (stock) is one of the instruments of the most popular financial markets. According Tandelilin (2010: 32) stock is a statement of ownership of a company. Issuing shares is one option the company wants to raise capital company. On the other hand, stocks are selected investment instruments that many investors because the stock is able to provide an attractive level of profits. According to Fahmi (2013: 37)

2.2 *Earning per share*

*Earning per share*also one important indicator of the company ratio. EPS showed the amount paid by the investor willing to every dollar of reported earnings. (Brigham & Houston, 2010: 150). Lukaman Shamsuddin (2009), said that in general corporate management, common shareholders and prospective shareholders are keen to Earning per share, because it describes the amounts of money that was obtained for each share of common stock. Prospective holders of common stock. Prospective shareholders EPS great interest, as this is one indicator of the success of a company. According to Fahmi and Yofi Lavianti Irham Hadi (2011.77) or clean EPS per share is the form of the advantage given to the shareholders of each sheet held.

2.3 Financial statements

The financial statements is information that describes the condition of a company where the next it will be an information describing the performance of the company (Fahmi, 2011: 2). Farid and Siswanto cites the opinion contained in the book by Fahmi (2011: 2) says "the financial statements are expected to provide information that help users to make economic decisions that are financially".
Furthermore, according to Munawir published in books by Fahmi (2011: 2) says "The financial report is a very important tool to obtain information relating to the financial position and the results that have been achieved by the company concerned." With such financial statements are expected to be helpful for users (users) to make economic decisions that are financial.

2.4 Financial Ratios

According to Fahmi (2011: 107) referred to as a comparison of the ratio, of the amount by the number of others that see the comparison with the expectation will be found next answer was used as study materials to be analyzed and decided upon. The use of this ratio is very flexible word placement, which was heavily influenced by what and where the ratio used is adapted to the scientific area.

2.5 Current Ratio

Primary liquidity ratio is the ratio of the lancer (Current Ratio) is calculated by dividing current assets by current liabilities. This ratio indicates to what extent current liabilities covered by assets expected to be converted into cash in the near future (Brigham and Houston, 2010; 134)

$$Current\ ratio = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

2.6 Debt To Equity Ratio

Wild (2005) Debt to equity ratio (DER) is a ratio used to measure the use of debt to total shareholders' equity of the company. Heightened DER showed a high dependence on the capital acquired company from the outside so that the burden of companies, are berat.Tingginya DER will further affect investors' interest in a particular company's stock because investors will be more interested in stocks that do not bear much of the burden of debt Raharjaputra (2009: 201)

$$Debt\ to\ Equity\ Ratio = \frac{\text{Total Liabilities}}{\text{Total Shareholder's Equity}}$$

2.7 *Return on assets*

Return On Asset is a measure of a company's ability to generate profits with all assets owned by the company. Increasing Return on Assets (ROA), can be interpreted that the company has been efficient in creating profit by processing and managing its assets (Salim, 2010: 134).

Return on assets (ROA) = $\frac{Net\ Income}{Average\ Total\ Asset}$

2.8 Framework

2.8.1 Effect of Current Ratio (CR) to Earning per share

Primary liquidity ratio is the current ratio (current ratio) is calculated by dividing current assets by current liabilities. This ratio indicates to what extent current liabilities covered by assets expected to be converted into cash in the near future (Brigham and Houston, 2010; 134). So it can be seen that in order to measure the company's ability to pay short-term obligations, it can be used in a positive current ratio, is good for the company because this ratio is very useful to see or measure of debt maturing in the current in the bill. According to Kashmir (2008)

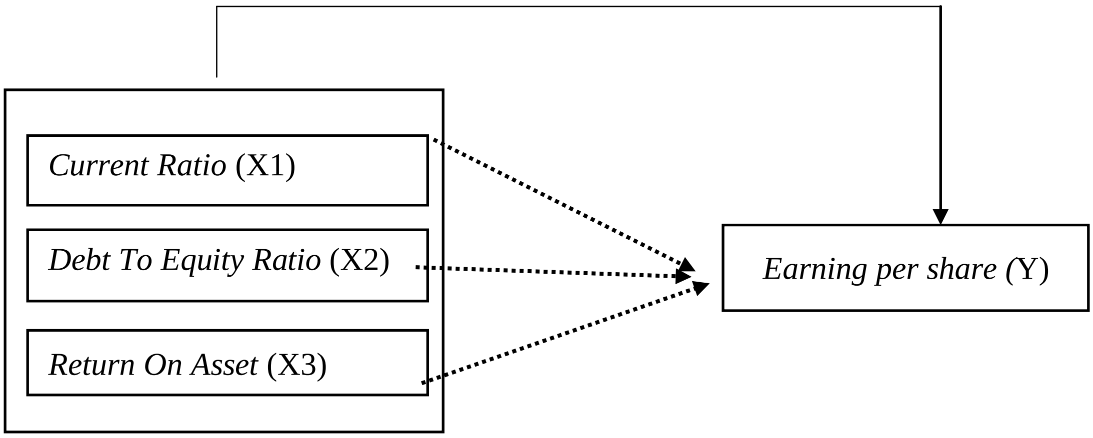
2.8.2 *Effect of Debt to equity ratio* (DER) to Earning per share

Wild (2005) Debt to equity ratio (DER) is a ratio used to measure the use of debt to total shareholders' equity of the company Heightened DER showed a high dependence on the capital acquired company from the outside so that the burden of the company will also be more severe. high DER will further affect investors' interest in shares certain companies because investors will be more interested in stocks that do not bear much of the burden of debt Raharjaputra (2009: 201) Thus the ratio of DER is used to measure the use of debt to total owned by each company the higher the company's dependence on capital in the can from the outside so that the load perusahana also bound to be heavy, the less use of debt is positive for the company as investors will choose which company it has little debt levels

2.8.3 Influence Return On Assets (ROA) of Earning per share

Return On Asset is a measure of a company's ability to generate profits with all assets owned by the company. Increasing Return on Assets (ROA), can be interpreted that the company has been efficient in creating profit by processing and managing its assets (Salim, 2010: 134).

According Gaspersz (2013: 61) Return on assets (ROA) is a ratio which measures the profitability of the company. ROA is used to measure the ability of companies create profits from assets controlled by high manajemen.Semakin ROA shows that the performance of the company more baik.Dapat seen that the higher this ratio, the better the state of a company and shows that companies are increasingly effective at leveraging assets to produce a net profit after tax. Thus, the higher the ROA, the company's performance more effective.,



Information :
: simultaneous
: Partial

Figure 1. Framework

2.9 Research Hypothesis

Based on the theory and framework described earlier, the research hypothesis can be formulated as follows:

1. *Current Ratio*(CR) has a positive and significant impact on earnings per share in the companies listed in the company LQ45 2011-2015.
2. *Debt to equity ratio* (DER) have a negativ influence and significant impact on earnings per sharepada companies listed in the company LQ45 2011-2015.

3. *Return on assets*(ROA)has a positive and significant impact on earnings per share in the companies listed in the company LQ45 2011-2015.
4. *current ratio* , Debt-to-equity ratio, and return on assets have a positive and significant effect simultaneously to Earning per share companies listed in the company LQ45 2011-2015.

III. RESEARCH METHODOLOGY

According Sugiyono (2011: 120), the sample is part of the number and characteristics possessed by the population. The sample in this study is a company registered in LQ45 Index and publishes its financial statements in the years 2011-2015. The equations of the model in this study as follows:

$$\boxed{\mathbf{EPSit = \alpha + \beta 1CRit + \beta 2DERit + \beta 3ROAit + з}}$$

HSit = *Earning per share* Companies i period to t
β1CRit Current ratio = firm i period to t
β2DERit= Debt to equity ratio of the company i period to-t
β3ROAit = *Return on assets* Companies i period to-t
α = constant
β1, β2, β3 = Regression coefficient of each variable
з = erorr term

IV. RESULTS AND DISCUSSION

4.1 Analysis Descriptive Statistics

The following Table 1 is presented in the form of descriptive statistics calculation result of each operational variables:

Table 1: Descriptive Statistics Analysis

	CR	**DER**	**ROA**	**EPS**
Mean	2.883234809	1.711146633	0.15840507	743.2058
Maximum	16.27417292	8.43187838	2.505227589	4393
Minimum	0.450006584	0.153641002	-0.072336098	-27.63
Std. Dev.	2.775865891	2.26723732	0.31622708	861.6854
Observations	115	115	115	115

Source: Secondary data that in though, 2017

According to the table for the variables CR showed the average value of 2.883234809, 16.27417292 its maximum value and minimum value of 0.450006584. For DER variable indicates the average value of 1.711146633, 8.43187838 its maximum value and minimum value of 0.153641002. To ROA shows the average value of 0.15840507, 2.505227589 its maximum value and minimum value of -0.072336098. while for EPS variable indicates the average value of 743.2058, the maximum value of 4393 and a minimum value of -27.63

4.2 Selection of Panel Data Model

Based on model testing has been done, Fixed Effect model is an appropriate model for this study. Table 2 is a Fixed Effect Model test results.

Table 2: Fixed Effect Model Test Results

Dependent Variable: EPS
Method: Panel Least Squares
Date: 04/12/17 Time: 21:04
Sample: 2011 2015
Periods included: 5
Cross-sections included: 10
Total panel (unbalanced) observations: 33

Variable	coefficient	Std. Error	t-Statistic	Prob.
C	761.7622	116.6668	6.529382	0.0000
CR	-0.746416	15.35530	-0.048610	0.9617
DER	-63.77825	19.58226	-3.256941	0.0039

ROA	-7.796596	107.1260	-0.072780	0.9427

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.923284	Mean dependent var	483.2142
Adjusted R-squared	0.877255	SD dependent var	284.5242
SE of regression	99.68292	Akaike information criterion	12.32897
Sum squared resid	198733.7	Schwarz criterion	12.91850
Log likelihood	-190.4280	Hannan-Quinn criter.	12.52733
F-statistic	20.05862	Durbin-Watson stat	1.046478
Prob (F-statistic)	0.000000		

Source: eviews output 8, 2017

Regression models were established based on results of the study are:

***Earning per share* = 761.7622 - CR 0.746416 - 63.77825 DER -7.796596 ROA**

From the regression model can be described:

1. Intercept coefficient of 761.7622 which means if variable CR, DER, and ROA constant, then the company's stock price level LQ45 group will rise by Rp761.7622.
2. Coefficient Current Ratio (X1) of **-** 0.746416which means if there is a change of Current Ratio rise by 1 point (assuming other variables constant), then the stock price will LQ45 index group declined by Rp- 0.746416
3. Debt to equity ratio coefficient (X2) is **-** 63.77825 which means if there is a change Debt to equity ratio rise by 1 point (assuming other variables constant), then the stock price will LQ45 index group decreased by Rp- 63.77825
4. Coefficient Return On Asset (X3) of -7.796596, which means if there is a change Return On Asset rise by 1 point (assuming other variables constant), then the stock price will LQ45 index group declined by Rp- 7.796596

4.3 Simultaneous Test (Test F)

Table 3: Simultaneous Test (UjiF)

Prob (F-statistic)	0.000000

Test-F (simultaneously) performed to test whether the independent variable (X) simultaneously or jointly have a significant effect on the dependent variable (Y). Provisions in the decision making simultaneous test is if the probability value (F-*statistics*) ≥ 0.05 (5% significance level) then H0 accepted which means that the independent variable has no significant influence on the dependent variable simultaneously / together. However, if the probability value (F-statistic) <0.05 then H0 rejected, which means that the independent variables have a significant influence on the dependent variable simultaneously / together.

4.4 Simultaneous Test (Test T)

Simultaneous Hypothesis Testing

Table 4: Partial Test (Test T)

Source: Eviews Output 8, 2017

Variable	coefficient	Std. Error	t-Statistic	Prob.
C	761.7622	116.6668	6.529382	0.0000
CR	-0.746416	15.35530	-0.048610	0.9617
DER	-63.77825	19.58226	-3.256941	0.0039
ROA	-7.796596	107.1260	-0.072780	0.9427

1. Variable Current Ratio (X1) has a probability value (p-value) 0.9617> 0.05. Thus, in accordance with the decision then H0 accepted, which means current ratio has no significant effect partially to the company's earning per share LQ45 group.

2. Variable Debt to equity ratio (X2) has a probability value (p-value) 0.0039 <0.05. Thus, in accordance with the decision then H0 is rejected, which means Debt to equity ratio significantly influence the company's earning per share partially LQ45 group.
3. Variable Return on assets (X3) has a probability value (p-value) 0.9427> 0.05. Thus, in accordance with the decision then H0 is rejected, which means Return on assets did not significantly influence the company's earning per share partially LQ45 group.

4.5 Discussion

4.5.1 Effect of Current Ratio (CR) Toward Earning per share

Based on the test results of this study Variable Current Ratio (X1) has a probability value (p-value)0.9617> 0.05. This indicates that the variable has no significant effect CR Earning per share LQ45 group company. That is, the size of the CR level companies do not necessarily affect the change in earnings per share. These results indicate that investors do not attach importance to invest in CR as one of the considerations in making investment decisions, because CR is not used as a consideration in making investment decisions, then the size of the value of CR does not affect the frequency of requests at LQ45. This is evidenced by Table 4.1 Current ratio is viewed directly on the table can say that the mean current ratio LQ45 2011-2015 CR has decreased from year to year. From this it can be seen CR of 23 companies that were sampled, it does not affect on the movement of earning Pershare. It can be concluded that the CR does not affect earnings per share

4.5.2 Influence of Debt to Equity (DER) Toward Earning per share

Based on the test results in this study the variable Debt to equity ratio (X2) has a probability value (p-value) 0.0039 <0.05.). This indicates that the variable DER positive effect on earnings per share of companies group LQ45. That is, the size of the rate DER company would affect changes in earnings per share results of these studies show that investing investors are concerned DER as one of the considerations in making investment decisions, because DER used as consideration in making investment decisions, then the value of the size DER affect the frequency of requests in LQ45. This is evidenced by Table 4.2 debt to equity ratio is viewed directly on the table can say that the mean debt to equity ratio which LQ45 2011-2015 fluctuated,

4.5.3 Influence Return On Asset (ROA) Toward Earning per share

HSIL Based on testing in this study, variable Return On Asset (X3) has a probability value (p-value) 0.9427> 0.05.). This indicates that ROA does not significantly influence the company's earnings per share LQ45 group. That is, the size of the level of ROA companies are not necessarily affect the change in earnings per share results of these studies show that investing investors are not concerned with ROA as one of the considerations in making investment decisions, as ROA not be used as consideration in making investment decisions, then the value of the size of ROA does not affect the frequency of requests at LQ45 this is evidenced by the table 4.9 Current ratio is viewed directly on the table can say that the mean return on assets LQ45 2011-2015 ROA has decreased from year to year. From this it can be seen ROA of 23 companies that were sampled, it does not affect on the movement of earning Pershare. It can be concluded that the value of ROA does not affect earnings per share

V. CONCLUSION

Research on the influence of Current Ratio, Debt to equity ratio and return on assets of the company's earning per share LQ45 group in 2011-2015 resulted in the following conclusions:

1. Current Ratio, Debt to equity ratio and return on assets,and the share price on 23 sample companies LQ45 over the period 2011-2015 as follows:

a) Current Ratio LQ45 group companies listed on the Indonesia Stock Exchange fluctuated each year over the period 2011-2015.
b) Debt to equity ratio LQ45 group companies listed on the Indonesia Stock Exchange has decreased over the period 2011-2015.
c) Return on assets LQ45 group companies listed on the Indonesia Stock Exchange has decreased over the period 2011-2015.
d) Earning per shareLQ45 group companies listed on the Indonesia Stock Exchange fluctuated over the period 2011-2015.

2. Simultaneously Current Ratio, Debt to equity ratio and return on assets, significantly influence the company's earning per share LQ45 group.
3. Partially :

a. current rationo significant effect partially to the company's earning per share LQ45 group.
b. Debt to equity ratio significant effect partially to the company's earning per share LQ45 group.

c. *Return On Asset* no significant effect partially to the company's earning per share LQ45 group.

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