

“The Effect of Return on Assets, Debt to Equity Ratio and Current Ratio on Earning Per Share (Study on LQ45 Index Banking Group Companies Listed on the Indonesia Stock Exchange 2015-2019)”

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Abstract: Investors who want to earn per share income must analyze using ratio methods such as: Return On Asset, Debt to equity ratio, and, the Current Ratio variable as a measuring tool for measuring companies in order to get more earnings per share. This study aims to analyze and provide empirical evidence of the Return on Assets, Debt to equity ratio, and the variable Current Ratio to Earning per share. This analysis uses the independent variable Return On Asset, Debt to equity ratio, and Current Ratio variable. The dependent variable is Earning per share. The sample used is secondary data from the financial statements of LQ45 companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019. Samples were taken by purposive sampling method and those that meet the sample selection criteria. The samples used were 5 companies. The statistical method uses Panel Data Regression analysis with hypothesis testing statistical tests and F statistical tests. Based on the test results using Eviews software, simultaneously the independent variables consisting of Return on Assets, Debt to equity ratio, and, the Current Ratio variable have a significant effect on Earning per share. Meanwhile, partially, it shows the results that the Current Ratio variable does not have a significant effect on Earning per share. Likewise, Return On Assets has no significant effect on Earning per share. However, the Debt to equity ratio variable has a significant effect on Earning per share. Based on the research results, investors and potential investors will consider the company's fundamental variables, especially the company's Debt to equity ratio.

Keywords: Return On Asset, Debt to equity ratio, and, Current Ratio and Earning per share

I. PRELIMINARY

The main purpose of the company is basically to increase and maximize the profits of the owner of the company which is reflected in earnings per share or earnings per share. Earning per share is a ratio that shows the share of profit for each share (Darmadji and Fakhrudin, 2012, 154). EPS is a form of giving benefits given to shareholders from each share owned (Irham Fahmi, 2011, 138). The importance of this EPS makes financial managers in a company strive to achieve good company performance, especially in the use of capital or assets. company. The size of this EPS is influenced by changes in its variables.

In general, there are two factors that influence the size of EPS, namely the capital structure and the level of net income before taxes and interest. Both of these factors emphasize alternative sources of funding through debt or financial leverage. In general, investment is investment or funds at this time with the hope of obtaining profits in the future. By investing in the capital market, investors will benefit in the form of dividends and capital gains. But in investing, of course there is a bad side which is often referred to as risk or risk.

Risk will always exist in every investment activity, therefore investors must need a fairly good indicator in making decisions before investing. One of these indicators is earnings per share. Prospective shareholders are interested in large earnings per share, because this is one indicator of the company's success (Chelmi, 2013: 1). Thus, the greater the earnings per share, the better the company's performance.

However, in predicting future earnings per share, an analytical tool is needed to determine whether the resulting financial information is useful for determining the development of earnings per share. One of the popular analytical tools is financial ratio analysis. Ratios in financial statement analysis are numbers that show the relationship between the elements of the financial statements expressed in a simple mathematical form (Jurningan 2011;118) Before investing, Investors first look at the company's performance. Investors will certainly

choose companies that have good performance in order to benefit from the investment. The performance of these companies can be seen from the financial statements published each period. In general, earnings information is information that gets the attention of investors who will invest in shares. However, currently, apart from profit information, investors also pay attention to the company's liquidity.

SHARE

Stock is one of the most popular financial market instruments. According to Tandelilin (2010:32) stock is a statement of ownership of a company. Issuing shares is one of the company's choices when deciding to fund a company. On the other hand, stocks are an investment instrument that is chosen by many investors because they are able to provide an attractive level of profit. According to Fahmi (2013:37)

EARNINGS PER SHARE

Earnings per share is also an important indicator of the company's ratio. EPS shows the amount that investors are willing to pay for every dollar of reported profit (Brigham & Houston, 2010: 150). LukamanSyamsuddin (2009), said that in general the company's management, ordinary shareholders and prospective shareholders are very interested in Earning per share, because this describes the amount of rupiah earned for each share of common stock. Prospective ordinary shareholders. Prospective shareholders are attracted to high EPS, because this is one indicator of the success of a company. According to Irham Fahmi and YofiLavianti Hadi (2011, 77) EPS or net per share is a form of giving benefits given to shareholders for each sheet owned.

FINANCIAL STATEMENTS

Financial statements are information that describes the condition of a company wherein it will become information that describes the company's performance (Fahmi, 2011: 2). Quoting Farid and Siswanto's opinion which was published in a book by Fahmi (2011: 2) said "financial reports are information that is expected to be able to provide assistance to users to make economic decisions that are financial in nature". Furthermore, according to Munawir published in the book by Fahmi (2011: 2) said "Financial reports are a very important tool to obtain information in connection with the financial position and results that have been achieved by the company concerned."

FINANCIAL RATIO

According to Fahmi (2011: 107) the ratio is referred to as a comparison of numbers, from one amount to another, the comparison is seen in the hope that later answers will be found which will then be used as study material to be analyzed and decided. The use of the word ratio is very flexible in its placement, where it is greatly influenced by what and where the ratio is used, that is, it is adjusted to the scientific area.

RETURN ON ASSET

According to Athanasius (2012:64) "This ratio shows how far the company's assets are used effectively to generate profits". According to Wahyudiono (2014:83) "This ratio also shows how much net profit after tax can be generated from the average of all assets owned by the company. Return on assets

$$(ROA) = \frac{\text{Net Income}}{\text{Total Assets}}$$

DEBT TO EQUITY RATIO

According to Kasmir (2014) the definition of debt to equity ratio is a financial ratio used to assess debt to company equity. This ratio is used to determine the total funds provided by the borrower (creditor) with the owner of the company. In other words, how much is the value of each rupiah of the company's capital that is used as debt guarantee?

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

CURRENT RATIO

According to Athanasius (2012: 69) "Current ratio is the most common ratio in measuring the level of liquidity of a company. The higher the current ratio, the company is considered to be more capable of paying off its current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

THE EFFECT OF RETURN ON ASSETS ON EARNINGS PER SHARE

V WiratnaSujarweni (2017:65) Return On Assets as follows: Return On Assets (ROA) is a ratio used to measure the ability of capital invested in overall assets to generate net profits. The higher the ROA value, the better the company's performance. ROA is used to measure the company's ability to create profits from assets controlled by management.

The higher the ROA value indicates that the company's performance is getting better. It can be seen that the higher this ratio, the better the state of a company and shows that the company is more effective in utilizing assets to generate net profit after tax. Thus, the higher the ROA, the more effective the company's performance will be.

THE EFFECT OF DEBT TO EQUITY RATIO ON EARNINGS PER SHARE

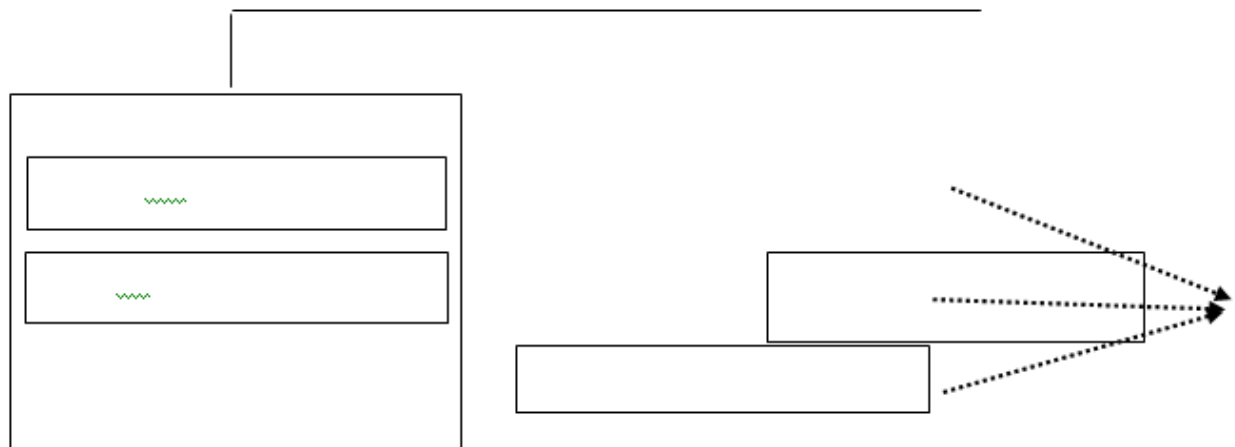
According to Kasmir (2014), the definition of debt to equity ratio is a financial ratio used to assess debt and company equity. This ratio is used to determine the total funds provided by the borrower (creditor) with the owner of the company.

In other words, how much is the value of each rupiah of the company's capital that is used as debt guarantee? So this DER ratio is used to measure the use of debt to the total owned by each company, the higher the company's dependence on capital obtained from outside so that the company's burden will also be heavy, the less use of debt will have a positive impact on the company because investors will choose which company it has a low level of debt

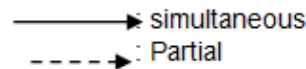
EFFECT OF CURRENT RATIO ON EARNINGS PER SHARE

According to Kasmir (2016:134) "Current Ratio or current ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when they are collected as a whole.

The higher the current ratio, the more capable the company is to pay off its current liabilities. debt that is due at the time of collection. According to Kasmir (2008)



Information :



RESEARCH HYPOTHESIS

The hypothesis proposed in this study is a brief statement concluded from the literature review and is a temporary description of the problems that need to be retested, so this study has the following hypothesis:

1. *Return on assets* (ROA) has a positive and significant influence on Earnings per share in banking companies listed in LQ45 companies in 2015-2019
2. *Debt to equity ratio* (DER) has a negative and significant effect on earnings per share in banking companies listed in LQ45 companies in 2015-2019.
3. *Current Ratio* (CR) has a positive and significant effect on earnings per share in banking companies listed in LQ45 companies in 2015-2019.
4. *Return on assets* (ROA), *Debt to equity ratio* (DER) and *Current ratio* (CR) has a positive and significant effect simultaneously on Earning per share in banking companies listed in LQ45 companies in 2015-2019.

RESEARCH METHODOLOGY

According to Ajija (2011: 52) in using the panel data model, it is not necessary to test the classical assumptions.

$$EPS_{it} = + 1ROA_{it} + 2DER_{it} + 3CR_{it} +$$

Information :

- HS_{it} = Earnings per share of company i period t
- 1ROA_{it} = Return On Assets company i period t
- 3DER_{it} = Debt to equity ratio company i period t
- 2CR_{it} = Current ratio company i period t
- = Constant
- 1, 2, 3 = Regression coefficient of each variable
- = error term

Panel Data Regression Analysis

Panel Data Regression Analysis Test

Chow test

The test is carried out using the Chow/Likelihood Ratio test to determine whether the model used in the study is the Common Effect Model or the Fixed Effect Model with the following decision-making provisions:

H₀ : Common Effect Model

H₁ : Fixed Effect Model

If the probability value of the Chi-square cross section < 0.05 or the probability value (p-value) of the cross section F < 0.05 then H₀ is rejected, so the model used is the Fixed Effect Model, but if the probability value of the Chi-square cross section is 0.05 or the probability value (p-value) cross section F 0.05 then H₀ is accepted, so the model used is the Common Effect Model,

Based on testing *Fixed Effects*, then the data obtained from the test results are as follows:

Table 4.4

Test results *Fixed Effect* (Chow/Likelihood Ratio Test)

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistics	d.f.	Prob.
Cross-section F	2,931065	(4,15)	0.0564
Cross-section Chi-square	13.282995	4	0.0100

Based on test results *Fixed Effect* by using test *Chow/Likelihood Ratio* that, which is generated for the probability value *cross section* Chi-square is 0.0100 where the result is more than a significance level of 5 or 0.05 and the resulting cross section probability value F is 0.0564 where the probability value is above 0.05. In accordance with the decision above that H₀ is accepted so that the approach taken is the Common Effect Model. To find out what is the most appropriate approach to use in this study, it is necessary to test the Fixed Effect Model with the Random Effect Model using the Hausman test,

Hausman Uji test

The test is carried out using the Hausman test to determine whether the model used in the study is the Random Effect Model or the Fixed Effect Model. The decision-making provisions are as follows:

H₀ : Random Effect Model

H₁ : Fixed Effect Model

If the random cross section probability (p-value) < 0.05 then H₀ is rejected, so the model used is the Fixed Effect Model. However, if the random cross section probability value (p-value) 0.05 then H₀ is accepted, so the model used is the Random Effect Model

Based on the Random Effect test (Hausman Test), the data obtained testing as follows:

4.5 . table

Random Effect Test Results (Hausman Test)

Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects			
Test Summary	Chi-Sq, Statistics	Chi-Sq, d, f,	Prob,
Cross-section random	3,406800	3	0.3331

Based on the results of the Random Effect test using the Hausman test, it can be concluded that the random cross section profitability value (p-value) is 0.3331 where the result is greater than the significance level of 5 or 0.05. In accordance with the provisions of decision making, it means that H0 is accepted so that the right approach to be taken in this study is the Random Effect Model,

FORMULATION OF PANEL DATA REGRESSION MODEL

Based on the model testing carried out, the model used in the panel data regression in this study is the Fixed Effect model, Table 4.6 is the result of the Fixed Effect model,

Table: 4.6

Fixed Effect

Dependent Variable: Y Method: Panel EGLS (Cross-section weights) Date: 03/29/21 Time: 11:33 Sample: 2015 2019 Periods included: 5 Cross-sections included: 5 Total panel (unbalanced) observations: 23 Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	953.8745	222.1958	4.292945	0.0006
X1	20.53333	36.44361	0.563427	0.5815
X2	-21.17105	5.023898	-4.214068	0.0008
X3	-52.84324	161.8989	-0.326397	0.7486
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.849464	Mean dependent var	794.4096	
Adjusted R-squared	0.779214	SD dependent var	451.7521	
SE of regression	225.1334	Sum squared resid	760276.0	
F-statistics	12.09203	Durbin-Watson stat	1.877316	
Prob(F-statistic)	0.000037			
Unweighted Statistics				
R-squared	0.508488	Mean dependent var	497.5813	
Sum squared resid	886973.9	Durbin-Watson stat	1.507347	

The panel data regression equation model formed in this study is a Fixed Effect model, Based on Table 4, it can be seen the value of the coefficient constant so that the following equation can be formed:
Earning Per Share = 953.8745+ 20.53333 ROA, + (21.17105) DER ,+ (52.84324) CR

The above equation can be interpreted as follows:

1. The intercept coefficient is 953.8745, which means that if the ROA, DER and CS variables are constant, then the level of earnings per share of companies in the LQ45 index group will increase by 953.8745.
2. The coefficient of Return On Assets (X1) is 20,53333, which means that if there is a change in the return on assets of 1 point (assuming other variables are constant), the earnings per share of companies in the LQ45 index group will increase by 20,53333.
3. The coefficient of Debt to Equity Ratio (X2) is -21.17105, which means that if there is a change in the increase in the Debt to Equity Ratio of 1 point (assuming other variables are constant) then the earnings per share of companies in the LQ45 index group will decrease by -21.17105
4. The coefficient of the Current Ratio (X3) is -52.84324, which means that if there is a change in the Current Ratio by 1 point (assuming other variables are constant) then the earnings per share of companies in the LQ45 index group will decrease by -52.84324

TEST – F (SIMULTAN)

The F-test (simultaneous) is carried out to test whether the independent variable (X) simultaneously or together has a significant influence on the related variable (Y). The decision-making provisions in the simultaneous test are if the probability value (F-statistic) 0, 05 (significance level 5) then H0 is accepted which means the independent variable has no significant effect on the dependent variable simultaneously/together, but if the probability value (F-statistic) <0.05 then H0 is rejected which means the independent variable has a significant effect to the dependent variable simultaneously/together,

t-test (partial)

The t-test (partial) was carried out to determine whether or not the regression coefficient value of the independent variable (X) was significant to the dependent variable (Y), the decision-making provisions in the partial test were if the probability value (p-value) 0.05 then H0 is accepted which means that the independent variable has no significant effect on the partially dependent variable, but if the probability value (p-value) <0.05 then H0 is rejected which means that the independent variable has a significant effect on the dependent variable partially, Table 4 ,7 below are the results of the t-test (partial)

T-Test Results (Partial Test)

Variable	Coefficient	Std, Error	t-Statistic	Prob,
C	953.8745	222.1958	4.292945	0.0006
X	20.53333	36.44361	0.563427	0.5815
1	-21.17105	5.023898	-4.214068	0.0008
X	-52.84324	161.8989	-0.326397	0.7486
2				
X				
3				

In table 4.7 it can be concluded that:

1. The Return On Asset (X1) variable has a probability value (p-value) of 0.5815 > 0.05 so, in accordance with the decision making provisions, H0 is accepted, which means that Return on Assets has no significant effect on Earning Per Share of banking companies in the LQ45 index group.
2. The Debt To Equity Ratio (X2) variable has a probability value (p-value) of 0.0008 <0.05, so, in accordance with the decision-making provisions, H0 is accepted, which means the Debt To Equity Ratio has a significant effect on Earning Per Share of banking companies in the index group. LQ45
3. The variable Current Ratio (X3) has a probability value (p-value) of 0.7486 > 0.05, so, in accordance with the decision-making provisions, H0 is accepted, which means that the Current Ratio has no significant effect on Earning Per Share of banking companies in the LQ45 index group.

Conclusion

Research on the influence of Return On Assets, Debt To Equity Ratio, Current Ratio to Earning Per Share of banking companies in the LQ45 index group in the 2015-2019 period resulted in the following conclusions:

1. *Return On Assets, Debt To Equity Ratio, and Current Ratio to Earning Per Share of banking companies in the LQ45 index group in the 2015-2019 period as follows:*

- a) *Return On Asset*LQ45 index group banking companies listed on the Indonesia Stock Exchange fluctuated every year during the 2015-2019 period. From 2015 to 2019 the average Return On Assets 2015 (2.91%), 2016 (3.01%), 2017 (2.80%), 2018 (2.96%), 2019 (2.92%)
 - b) *Debt To Equity Ratio*LQ45 index group banking companies listed on the Indonesia Stock Exchange fluctuated every year during the 2015-2019 period. From 2015 to 2019 the average Debt To Equity Ratio 2015 (21.24%), 2016 (22.66%), 2017 (24.10%), 2018 (25.54%), 2019 (27.44%)
 - c) *Current Ratio*LQ45 index group banking companies listed on the Indonesia Stock Exchange fluctuated every year during the 2015-2019 period. From 2015 to 2019 the average Current Ratio is 2015 (0.97%), 2016 (0.94%), 2017 (1.13%), 2018 (1.14%), 2019 (1.15%)
2. Simultaneously Return On Assets, Debt To Equity Ratio, and Current Ratio have no significant effect on Earning Per Share of banking companies in the LQ45 index group. Can be known the probability value (F-statistic) is $(12.09203 < 0.05)$. In accordance with the existing decision-making provisions, then H_0 rejected, which means that the variables Return On Assets, Debt To Equity Ratio, Current Ratio have no significant effect on Earning Per Share of banking companies in the LQ45 index group simultaneously or together.
 3. *Return On Assets* does not have a significant effect partially on Earning Per Share of banking companies in the LQ45 index group. Can be known has a probability value (p-value) of $0.5815 > 0.05$ so, in accordance with the provisions of decision making, H_0 is accepted, which means that Return on Assets has no significant effect on Earning Per Share of banking companies in the LQ45 index group.
 4. *Debt To Equity* does not have a significant effect partially on Earning Per Share of banking companies in the LQ45 index group. Can be known has a probability value (p-value) of $0.0008 < 0.05$ then, in accordance with the provisions of decision making, H_0 is accepted, which means the Debt To Equity Ratio has a significant effect on Earning Per Share of banking companies in the LQ45 index group
 5. *Current Ratio* does not have a partial significant effect on Earning Per Share of banking companies in the LQ45 index group. Can be known has a probability value (p-value) of $0.7486 > 0.05$ so, in accordance with the provisions of decision making, H_0 is accepted, which means that the Current Ratio has no significant effect on Earning Per Share of banking companies in the LQ45 index group.

Suggestion

After conducting this research, there are suggestions that the researcher can give are as follows:

1. For potential investors who will invest, they should consider the company's fundamental variable factors, especially the Debt To Equity Ratio because it has an influence on Earning Per Share which can then be used as consideration for making decisions in investing in the company. In investing, it demands accuracy in seeing good performance, companies with good performance can generate high profits and provide high earnings. By considering the Debt To Equity Ratio because the following variables can affect Earning Per Share, investors can consider these variables.
2. For companies, especially company management, you should pay attention to the factors of the company's fundamental variables, especially variable *Debt To Equity Ratio* company. Because investors see *Debt To Equity Ratio* as a consideration in making investment decisions. Then decrease *Return On Asset* and *Current Ratio* resulting in a decrease in investor interest in the company's shares which can then cause investors to become disinterested in investing in the company, because they feel that these shares have a low rate of return and are less safe to invest, which will result in a decrease in the company's share price due to decreased investor interest due to view the company's performance is not good. The decrease in investors and the decline in stock prices will certainly have a negative impact on the company's capital. Therefore earnings per share and *Debt To Equity Ratio* company can be used to assess

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