



THE IMPACT FROM RETURN OF EQUITY (ROE), RETURN OF ASSET (ROA), AND EARNING PER SHARES (EPS) ON PRIMARY CONSUMER SECTOR (CONSUMER NON-CYCLICALS) COMPANIES ON THE IDX DURING 2014-2019

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Abstract: This research has written with aim of classifying and analyzing the influence of Return on Assets (ROA), Return on Equity (ROE) and Earning Per Share (EPS) towards stock prices in consumer goods companies which registered on the IDX during period of 2014-2019. This research used a quantitative method with secondary data to be processed. The sampling technique that used in this research was purposive and saturated sampling technique and the samples obtained were INDF (Indofood), JPFA (Japfa), Sari Roti, Siantar Top and Sekar Laut. The research method used was multiple linear regression analysis method. The results in this research was indicate that 1) ROA has no significant impact on stock prices; 2) ROE has no impact on stock prices; 3) EPS has a significant impact on stock prices; 4) ROA, ROE and EPS simultaneously affects the stock prices.

Keywords: *Return on Equity, Return on Asset, Earning Per Share, Stock Price.*

INTRODUCTION

The existence of the capital market was previously not realized by the Indonesian people which actually has a crucial role in the Indonesian economy. However, as time goes by the development of science and technological advances, people have very broad access to seek knowledge about investing. The government is also trying to increase literacy about the capital market and provide a forum for the public to invest, so the people are triggered and interested in entering the capital market.

The capital market plays a fundamental role in economy sector to whole countries, including Indonesia. Within the scope of the capital market, consumer non-cyclicals or commonly referred as primary consumer goods sector companies are the associations of

companies that produce goods or provide services in the form of primary goods or goods which very needed in daily life. However, in the current era of digital technology, it does not necessarily make the stock prices of non-cyclical consumer companies growth rapidly.

Based on the data which Author obtained from non-cyclical consumer companies stock prices which fluctuate from year to year and there is often found a significant decline. According to these data, during period 2014-2015, non-cyclical consumer companies except Siantar Top has experienced an increase of 135. In 2015-2016, 4 out from 5 companies has experienced an increase, except for PT Sekar Laut, which decreased consecutively since 2014. In 2016 -2017, several companies has experienced an increase in stock prices, such as PT Siantar Top and PT Sekar Laut. During 2017-2018, PT Japfa Comfeed Indo and PT Sekar Laut experienced an increase in stock prices. In the 2018-2019, all companies that listed on this table had experienced an increase except PT Japfa Comfeed Indo.

Table 1. Stock Prices of Primary Consumer Companies

Company's Name	2014	2015	2016	2017	2018	2019
PT. Indofood Sukses Makmur (INDF)	6750	5175	7925	7625	7450	7925
PT. Japfa Comfeed Indo Tbk (JPFA)	950	635	1455	1300	2150	1535
PT. Nippon Indosari Corpindo (ROTI)	1385	1265	1600	1275	1200	1300
PT. Siantar Top Tbk (STTP)	2880	3015	3190	4360	3750	4500
PT. Sekar Laut Tbk (SKLT)	930	370	308	1150	1500	1610

The presence of this fluctuating phenomenon indicates that the fluctuation of share prices is caused by several factors, namely internal and external factors. External factors consist of macroeconomic fundamentals, government policies, fluctuations in the rupiah exchange rate against foreign currencies, and panic factors. Meanwhile, internal factors consist of a company's fundamentals, company policies, and company performance.

Several previous research had stated that there is a positive and significant correlation between ROA and ROE towards stock prices either partially or simultaneously (Ashari, 2017). Sulfiyati (2016) found that partially, ROA has no impact on stock prices, while ROE and EPS do. Santy (2017) found if the ROA and EPS had a positive impact on stock prices, while ROE has the negative one. Buchari (2015) saw that ROA and ROE had a negative and insignificant impact on stock prices, while the EPS had a positive one.

According to the phenomenon of fluctuating stock prices in primary consumer companies and those research gap above, the authors were intent on conducting the further research entitled: **“The impact from Return of Equity (ROE), Return of Asset (ROA) and Earning Per Shares(EPS) on Primary Consumer Sector (Consumer Non-Cyclicals) Companies in the IDX during 2014–2019”**.

LITERATURE REVIEW

Return on Assets (ROA)

ROA is defined as the ratio used to assess the ability of investment returns with overall assets to earn net profits (Sujarweni, 2017:65). Meanwhile, Hery (2015:106) said that ROA is a ratio which shows the amount of contribution from assets in creating net income. Furthermore, Kasmir (2015:201) defines ROA as part of a ratio that used to estimate net income after tax on all profit-generating assets. From the above definitions, it could be concluded that ROA is a ratio that is used to evaluate and manage the company assets.

Return on Equity (ROE)

ROE could be referred to as a measuring tool that is used to estimate the net income after tax and capital itself (Kasmir, 2013:204). ROE as a useful measuring tool to assess the succession of a company in generating profits for shareholders (Hery, 2015:230). ROE is also could be used to analyze the influence of sources on equity earnings owned by the company (Fahmi, 2012:98). Based on some of the definitions above, it could be concluded that ROE is a ratio that calculates net income with company capital which is useful for finding out the company's success in gathering profits.

Earnings Per Share (EPS)

Darmadji & Fakhrudin (2012:154) defines the EPS as a ratio which insures the capability of an issuer to manifest profits for each share owned. Meanwhile, Kusuma (2014:24) defines the EPS as a ratio that estimates the potential of an issuer in realizing profits per share for capital owners. The higher the EPS ratio, the better the condition of an issuer and investors will not hesitate to invest in a targeted issuer. From some of the definitions above, it can be said that EPS is a ratio that used to assess the success of an issuer in achieving profits for shareholders.

Stock Prices

Darmadji & Fakhrudin (2012:102) states that stock price is a price which is determined in a time span that is volatile in a short period of time due to the demand and supply which submitted by the market. Meanwhile, Jogiyanto (2010:143) described the stock price as the amount of value that determined by the market in the stock exchange or a certain period of time. Furthermore, Azis et al. (2015: 80) stated that the stock price as a price quantity contained in the real market which is not difficult to reveal by the stock price if the issuer is open or closed. Based on some of the definitions above, it could be said that stock price is a stock price whose it determination was made when the stock market is running with the supply and demand for the stocks issued.

Theoretical Framework and Hypothesis

Based on the phenomena, theoretical studies and research gap that have been presented in the previous chapter, the authors design the following framework:

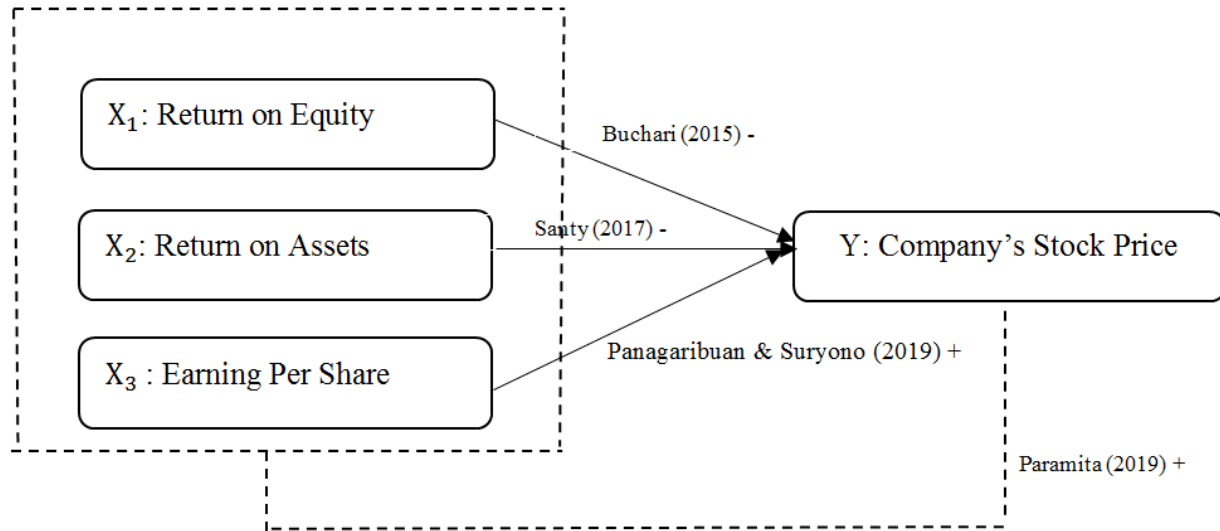


Figure 1. Theoretical Framework

The hypothesis in this research are 1) ROE has a positive and significant impact on stock prices; 2) ROA has a negative and significant impact on stock prices; 3) EPS has a negative and significant impact on stock prices; 4) ROE, ROA, and EPS Simultaneously have a positive and significant impact on stock prices.

RESEARCH METHODS

This research method used quantitative methods with descriptive and associative designs to explain the results of statistical descriptions and its predict research results. The variables studied and the measurement of variables in this research are as follows:

$$ROA = \frac{\text{Earning After Interest and Tax}}{\text{Asset}} \dots\dots\dots (1)$$

$$ROE = \frac{\text{Earning After Interest and Tax}}{\text{Equity}} \dots\dots\dots (2)$$

$$EPS = \frac{\text{Net Profit}}{\text{Number of Stocks Outstanding}} \dots\dots\dots (3)$$

$$\text{Stock Price} = \text{Closing Price} \dots\dots\dots (4)$$

The research population was the primary consumer sector companies (consumer non-cyclicals) which registered on the Indonesia Stock Exchange (IDX) during period 2014-2019 as many as 46 companies. The sampling technique which was used in this research was a purposive sampling technique with these following criteria: 1) Primary consumer companies (consumer non-cyclicals) which registered on the IDX and have a maximum IPO year of 2014; 2) Primary consumer companies (consumer non-cyclicals) that have smooth annual reports and are free of obstacles; and 3) primary consumer companies (consumer non-cyclicals) which have quarterly

financial reports during the research year period. According to these criteria, the sample from this research consisted of 8 companies in the primary consumer goods sector. The collecting data method for the purposes of this research was the documentation method by collecting all secondary data from primary consumer sector companies (consumer non-cyclicals) that listed on the IDX during period 2014-2019. The data analysis method used in this research was multiple linear regression analysis through classical assumption test and hypothesis test.

RESULT FINDINGS AND DISCUSSION

Descriptive Statistics

According to the results of descriptive statistical analysis on ROA, ROE, EPS, and stock prices, it could be concluded that:

- 1) ROA has a minimum value of 2.45 for Japfa Comfeed Indonesia Tbk on 2014 and a maximum value of 16.75 goes to Siantar Top on 2019, with an average of 6.6483 and a standard deviation of 3.10903.
- 2) ROE has a minimum value of 4.8 on the company Nippon Indosari Corpindo in the 2017 and a maximum value of 23.17 goes to the Japfa Comfeed Indonesia Tbk in the 2016, with an average value of 13.0790 and a standard deviation of 5.34279.
- 3) EPS has a minimum value of 0.20 found in the Japfa Comfeed Indonesia Tbk in the 2014 and a maximum value of 557.75 in the Indofood Sukses makmur Tbk in the 2019 period, with an average of 165.6743 and a standard deviation of 169.6243.
- 4) Stock prices has a minimum value of 308 for Sekar Laut Tbk on 2016 and a maximum value of 7925 for Indofood Sukses Makmur Tbk company on 2016, with an average of 2882.1 and a standard deviation of 2445.771.

Data Validity Test

The normality test results showed that the Asymp value. Sig (2-tailed) was 0.200 and above the significant value (0.05), so the residual variable was normally distributed and could be tested for further classical assumptions.

**Table 2. Data Normality Test
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		30
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	648,35615934
Most Extreme Differences	Absolute	,117
	Positive	,088
	Negative	-,117
Test Statistic		,117
Asymp. Sig. (2-tailed)		,200 ^{c,d}

The multicollinearity test result shows that the tolerance value of ROA was 0.159 > 0.100, ROE 0.164 > 0.100 and EPS 0.890 > 0.100 and the VIF value of ROA was 6.273 < 10.00, ROE 6.103 < 10.00 and EPS 1.124 < 10.00. Therefore, the VIF value of each variable < 10.00 and tolerance > 0.100, it could be said that this data did not have multicollinearity symptoms.

Table 3. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	ROA	,159	6,273
	ROE	,164	6,103
	EPS	,890	1,124

The heteroscedasticity test results through park test show that ROA has a sig value 0.531 > 0.05, ROE got sig value. 0.076 > 0.05 and EPS with sig. 0.337 > 0.05, so it could be said that this data did not cause symptoms of heteroscedasticity and this data was feasible to use.

Table 4. Heteroscedasticity Test Results through Park Test Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	6,735	1,449		4,646	0
	ROA	-0,261	0,412	-0,261	-0,635	0,531
	ROE	0,436	0,236	0,749	1,845	0,076
	EPS	0,003	0,003	0,17	0,978	0,337

Hypothesis Test

According to the multiple linear regression analysis results, the regression model of this research could be formulated as follows:

$$Y = 975.893 + 14.883X_1 + -37.400X_2 + 13.861X_3 + e..... (5)$$

Table 5. Multiple Linear Regression Analysis Test Results Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	975,893	360,612		2,706	,012
	ROA	14,888	102,433	0,019	0,145	,886
	ROE	-37,4	58,794	-0,082	-0,636	,530
	EPS	13,861	0,795	0,961	17,439	,000

- 1) Tests on the ROA variable shows that the t-count < t-table ($0.145 < 2.056$) with a significant $0.886 > 0.05$, then H_0 was accepted and H_a was rejected, meaning that there is a negative and insignificant impact between ROA and stock prices.
- 2) Tests on the ROE variable shows that the t-count value < t-table ($-0.636 < 2.056$) with a significant $0.536 > 0.05$, then H_0 was accepted and H_a was rejected, meaning that there is a negative and insignificant impact between ROE and stock prices.
- 3) Tests on the EPS variable shows that t-count > t-table ($17.439 > 2.056$) with a significant $0.000 < 0.05$, then H_0 was rejected and H_a was accepted, meaning that there is a significant positive impact between EPS on stock prices.
- 4) Simultaneous test shows that the F-count value was $114.660 > F$ -table 2.96 so that H_0 was rejected and H_a was accepted, with a significance of $0.00 < 0.05$ (set), so it could be said that there is simultaneously significant impact between ROA, ROE and EPS on stock prices with an affect value of 92.2% (Adjusted R^2).

Table 6. F-Test Results
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	161281521	3	53760507	114,66	,000 ^b
Residual	12190606	26	468869,45		
Total	173472127	29			

Table 7. Coefficient of Determination Test Results

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,964 ^a	0,93	0,922	684,74

Discussion

The first hypothesis which put forward and explains that Return on Assets (ROA) has no significant impact on stock prices, so it could be concluded that the first hypothesis was rejected. The high or low ROA variable did not affect the increase or decrease in stock prices because the data of primary consumer sector companies (consumer non-cyclicals) during the research period of 2014 - 2019 has experienced fluctuating changes which resulted in ROA that has no impact on stock prices. In addition, the other factors that cause ROA did not have a significant impact on stock prices was the lack of investors that use ROA variable as their consideration in making decisions to purchase the stocks. The factor which causes the high and low value of ROA is the company's sales profit fluctuates and followed by a decrease in total asset turnover. If ROA has decreased, it has an indication that the company is not effective in managing its assets in earning yields or profits. In this research, ROA did not have a significant impact. This has similarity

with the research from Buchari (2015) which states that ROA variable did not have a significant impact on stock prices ($0.193 > 0.05$).

The second hypothesis stated that ROE has a negative and insignificant impact on stock prices, so it could be said that this second hypothesis was rejected. In this research, the case of ROE variable is common with ROA variable, namely the up and down of ROE did not have a significant impact on stock prices because the ROE from primary consumer sector companies (consumer non-cyclicals) is an actual fluctuating or unstable and investors pay less attention to or do not consider ROE as a decision making when purchases the stocks. From this research results it said that ROE did not have a significant impact. This is in line with the results from Santy's research (2017) which explained that ROE variable has a negative value and has no significant impact on stock prices ($0.378 > 0.05$).

The third hypothesis described that EPS has a significant impact on stock prices, so it could be concluded that the third hypothesis was accepted. This shows that this third hypothesis has a significant impact because EPS reveals the amount of rupiah from each stock. Investors include the EPS variable in their decisions making to purchase the stocks. The higher the EPS of a company, the more it would attract the investors to invest their money in the company. And it does Conversely, if the EPS is low, then investors would think twice about funding their capital on that company. The factors which cause up and down EPS are net income and the number of stocks. In this research, EPS variable has a significant impact. This is familiar with the research results from Pangaribuan & Suryono (2019) which described that EPS variable has a significant impact on stock prices ($0.005 < 0.05$).

From the results of simultaneous hypothesis test, it could be revealed that the variables of ROA, ROE and EPS have a simultaneously impact and significant. The reason why these three variables have a simultaneous impact was because that ROA, ROE and EPS are profitability ratios. It has been a long time since the profitability ratio was the key in an issuer for the development of stock issued. This research is in line with research by Paramita (2020) which stated that ROA, ROE and EPS variables have simultaneously impact and significant towards stock prices.

CONCLUSION AND SUGGESTION

Conclusion

According to the results from data analysis and the discussion which have been described previously, it can be conveyed that:

- 1) ROA, ROE, and EPS simultaneously had an impact on positive and significant stock prices.
- 2) EPS partially had an impact on positive and significant stock prices.
- 3) ROE partially had an impact on negative and insignificant stock prices.
- 4) ROA partially did not have a significant impact towards stock prices.

Suggestion

Based on the results of the research that has been done, here are some suggestions that researchers can provide, namely:

- 1) For the primary consumer sector, companies need to consider financial ratios, because the reference for investors in order to fund the money is not only seen from its stock price charts or technical analysis, but also the fundamental aspects which are very important in making investment decisions.
- 2) For investors or potential investors, they need to be more attentive to financial ratios, particularly in research titles (ROA, ROE and EPS) as a reference in decisions making to invest in companies of any sector, especially in the primary consumer sector.
- 3) For further researchers, it is advisable to add other variables from financial ratios such as liquidity ratios, solvency ratios and activity ratios or probably it could be mixed through profitability ratios.

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