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The Impact of Earnings Per Share, Debt to Equity Ratio, and Company Size on Stock Returns in Miscellaneous Industrial Sector Manufacturing Companies Listed on the Indonesia Stock Exchange (2016-2020)

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Abstract: This study investigates the impact of earnings per share, debt to equity ratio, and company size on stock returns. The research focuses on manufacturing companies within the miscellaneous industrial sector listed on the Indonesia Stock Exchange during the 2016-2020 period. A purposive sampling technique was employed to select the sample. Descriptive statistics were used as the analytical method, with data analysis conducted using the SPSS application. The findings reveal that earnings per share have a significant negative impact on stock returns, the debt to equity ratio has a significant effect, while company size does not significantly influence stock returns. These results suggest that investors should carefully consider a company's earnings per share and debt to equity ratio when making investment decisions, as these factors significantly affect stock returns. Meanwhile, company size may not be a critical determinant for stock return predictions within this sector.

Keywords: Earnings Per Share, Debt to Equity Ratio, Company Size, Stock Return

INTRODUCTION

Increasingly competitive business competition requires companies to always innovate and be creative in creating new things so that the company can continue to survive and grow. In addition, the company must also be able to act efficiently and effectively in running its business, the goal is to get maximum benefits that can be used to sustain the company's life and become a benchmark for the company's success.

The underlying reason for an investor to invest in a company is to take advantage of the excess funds owned to create the maximum profit. Indonesia is a developing country so it is a target for entrepreneurs both domestically and abroad to increase their wealth through stock investment.

Companies in obtaining large funds should be encouraged to issue a securities in the form of shares (Liwe et al., 2018). By issuing shares in a company, investors want a return called a return. Getting a return is the main goal of investors in investing. Getting a return, of course, is greatly influenced by the company's performance. The company's performance has an

influence on the decline and increase in stock price. Operating profit as a benchmark in the performance of a company. Investors generally measure company performance using fundamental analysis techniques that can provide a clear picture of the company's performance in managing the company for which he is responsible (Djajadi1 & Yasa, 2018). Fundamental analysis techniques require company data, namely financial statements that analyze financial ratios. Investors get returns in the form of dividends and capital gains on their investments. The amount of dividends and capital gains received by investors depends on the amount of ownership. Dividends are part of a company's profits that can be distributed to investors. While capital gains occur when there is a difference in value between the selling price of shares greater than the purchase price.

Before investors are sure to invest a certain amount of money owned into a company through the purchase of shares in the capital market, several analyses are needed in order to convince investors that if they invest in the company will get maximum returns (Hartono, 2017). In general, every investor will invest their capital if the company can provide a large return. Return can be predicted by investors by doing some analysis of financial statements.

In the implementation of company operations often require greater capital and can be obtained by the company through debt. The greater the company's debt indicates that the company's operations are financed by debt. The valuation of debt can be measured by the leverage ratio through the Debt to Equity Ratio (DER) (Utami & Darmawan, 2018). The greater the company's risk, the greater the return generated. The larger the company, the greater the company's assets and money turnover, so that sales are greater and profits generated also increase (Rizal & Ana, 2016).

The size of the company can be known by looking at the total assets owned by a company. The size of the company's value can affect the actions that will be taken by investors in the context of making investment decisions they have (Zaki & Shabri, 2017). According to (Hidayat & Isroah, 2016), large total assets are able to reduce the debt ratio, meaning that the company is indicated to provide benefits for its investors, and moreover the company is able to guarantee the distribution of returns to its investors both in expected economic conditions and in bad conditions.

The manufacturing sector was chosen by the author because investment in manufacturing companies (various industrial sectors) is more attractive to investors than other sectors. This can be seen from the achievements of Indonesian manufacturing companies which are ranked tenth largest manufacturing countries in the world. So it can be said that the manufacturing industry is the main support of the Indonesian economy (Liwe et al., 2018).

METHOD

The subjects in this study are manufacturing companies in the miscellaneous industrial sector (machinery and heavy equipment sub-sector, automotive and component sub-sector, textile and garment sub-sector, footwear sub-sector, electronics sub-sector and cable sub-sector) listed on the Indonesia Stock Exchange (IDX) in the 2016-2020 period, while the object of this study is the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2016-2020 period. The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period. The sample selection method used in this study is purposive sampling which is a sampling technique with certain considerations (Sugiyono, 2017)

RESULT AND DICUSION

Descriptive Statistics

Descriptive statistics is a test that serves to describe or provide an overview of the object of research under study without conducting analysis and making generally accepted conclusions.

Table 1. Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
EPS	400	-2394.00	17621.00	320.4775	1410.79730
Uk	400	20.57	33.32	28.3770	1.63676
OCF	400	-2823747	25899000	974234.3750	3034805.06400
Return	400	-.99	26.86	.1454	1.63647
Valid N (listwise)	400				

Source: SPSS versi 24

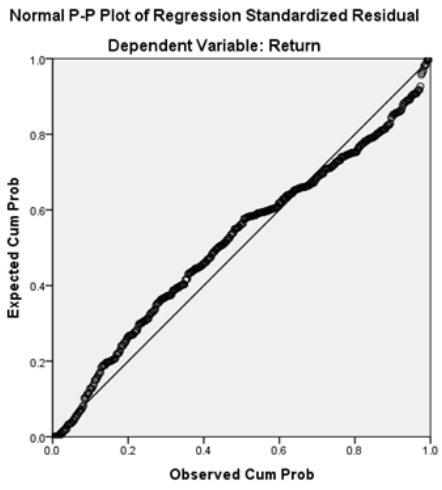
Based on table 1, descriptive statistical results for each variable studied in a sample of 400 can be obtained. For the first variable, namely eps (earnings per share), the minimum value is Rp. 2,394 from PT. Multi Prima Sejahtera in 2016, while the maximum value is Rp. 17,621 from PT. Delta Djakarta in 2014. The mean obtained is Rp. 320.4775 and the standard deviation is Rp. 1410.79730. For the second variable, namely uk (company size), the minimum value is 20.57 from PT. Sepatu Bata Tbk in 2017, while the maximum value is 33.32 from PT. Astra International in 2017. The mean obtained is 28.3770 and the standard deviation is 1.63676. The third variable, ocf (operating cash flow), has a minimum value of Rp. 2,823,747 from PT. Bentoel Internasional Investama in 2015, and the maximum value of Rp. 25,899,000 from PT. Astra International in 2015. The mean obtained is Rp. 974,234 and the standard deviation is Rp. 3,034,805,06400. The fourth variable, namely return (stock return), has a minimum value of 0.99 from PT. Delta Djakarta in 2015, and a maximum value of 26.86 from PT. Indofarma (Persero) in 2016. The mean obtained is 0.1454 and the standard deviation is 1.63647.

Classical Assumption Test

Classical assumption testing is the first step that must be done before conducting multiple regression testing so as to avoid deviations when conducting multiple regression analysis.

a) Normality Test

The normality test is a test carried out to find out whether all variables studied are normally distributed or not. In this study the author used the normality test of the P-Plot of Regression Standardized Residual graph. A more reliable method is to look at a normal probability plot that compares the cumulative distribution from the normal distribution. The normal distribution will form one diagonal straight line, and the residual data plotting will be compared with the diagonal line. If the distribution of residual data is normal, then the line describing the actual data will follow the diagonal line (Ghozali, 2018)



Source: SPSS versi 24

Figure 1. Uji Normalitas

Based on figure 1, the results of the normality test can be known using probability plots. From the figure it can be concluded that the data has been distributed normally because the points in the image approach and follow a straight line in the diagonal direction.

b) Multicolonicity Test

The multicolonicity test is a test that aims to test whether the independent variables have a correlation or not. To produce a good regression model there should be no correlation between independent variables. According to (Ghozali, 2018) multicolonierity can be seen from the tolerance value and its opposite variance inflation factor (VIF). The cutoff value commonly used to indicate multicolonicity is a Tolerance value of ≤ 0.10 or equal to the VIF value of ≥ 10.

Table 2. Coefficiens[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	Collinearity Statistic	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-5.428	2.427		-2.237	.026		
EPS	.000	.000	-.168	-3.452	.001	.988	1.012
Uk	.101	.086	.070	1.165	.245	.642	1.556
OCF	-1.764E-4	.000	-.229	-3.779	.000	.640	1.562

Source: SPSS versi 24

Based on Table 2 of Multicolonierity Test Results, Tolerance and VIF values can be obtained for each variable. A tolerance value of 0.988 for eps, 0.642 for uk, and 0.640 for ocf showed a value of more than 0.10. As well as a VIF value of 1.012 for eps, 1.556 for uk, and 1.562 for ocf which shows less than 10. So it can be concluded that there is no multicholinerity in this regression model.

c) Heteroscedasticity Test

Heteroscedasticity test is a test that aims to determine whether there is a variance inequality from the residual one observation to another observation in the regression model. According to (Ghozali, 2018) the Glejser test proposes to progress the residual absolute value against the independent variable. If the independent variable is statistically significant in influencing the dependent variable, then there is an indication of heteroscedasticity.

Table 3. Coefficiens[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	.090	1.679		.054	.957
EPS	-3.900E-5	.000	-.035	-.698	.486
Uk	.015	.060	.016	.255	.799
OCF	-2.867E-8	.000	-.056	-.888	.375

Source: SPSS versi 24

Based on Table 3 of the Heteroscedasticity Test Results, the significance value for the eps variable is 0.486, for the uk variable 0.799 and for the ocf variable is 0.375. Where the significance value for the three variables is greater than 0.05 so that it can be concluded that in this regression model there are no symptoms of heteroscedasticity.

d) Autocorrelation Test

Autocorrelation Test is a test that aims to determine whether there is a correlation between disruptive errors in a peridose with the previous period. If there is a correlation, then it is called the existence of an autocorrelation problem. In this study the author used the Lagrange Multiplier Test (LM Test). According to (Ghozali, 2018) the Lagrange Multiplier Test (LM Test) is used for large samples above 100 observations. The LM test will produce Breusch-Godfrey statistics. Where this test is carried out by regressing the residual variable using an autoprogressive model with order p. If (n-p)*R2 or C2 count is greater than C2 table, we can reject the null hypothesis which states that there is no autocorrelation in the model.

Table 4. Coefficiens[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	-.020	1.765		-.011	.991
EPS	-3.673E-7	.000	.000	-.006	.995
Uk	.001	.063	.001	.011	.991
OCF	2.017E-11	.000	.000	.001	1.000
Res2	-.037	.050	-.037	-.735	.463

Source: SPSS versi 24

Aware of Table 4.5 Autocorrelation Test Results, it can be seen that the res2 value is 0.461 > 0.05, it can be concluded that there are no autocorrelation symptoms in this regression model

Hypothesis Test

a) Coefficient of Determination

According to (Ghozali, 2018) The coefficient of determination has the disadvantage of being biased towards the number of independent variables entered into the model. With each additional one independent variable, R2 increases no matter whether that variable has a significant effect on the dependent variable. Therefore, many researchers recommend using adjusted R2 values when evaluating which regression model is best.

Table 5. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.208[a]	.043	.039	2.29626

Source: SPSS versi 24

Based on table 5 of the Model 1 Coefficient of Determination Test Results, it can be known that the adjusted R square value before adding the moderation variable is 0.039 so that it can be concluded that 3.9% of the variation in stock return as a dependent variable can be explained by variations in independent variables, namely

earnings per share and company size, while the remaining 96.1% of the variation in dependent variables is explained by other variables that are not used in this study.

Table 6. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.265[a]	.070	.059	2.27216

Source: SPSS versi 24

Based on table 6 of the Coefficient of Determination (MRA) Test Results, it can be known that the adjusted R square value after adding the moderation variable is 0.59 so that it can be concluded that 5.9% of the variation in stock return as a dependent variable can be explained by variations in independent variables, namely earnings per share, company size and operating cash flow, Moderating EPS * OCF, Moderating UK * OCF while the remaining 94.1% variation in the dependent variable is explained by other variables that was not used in this study

b) Individual Parameter Significance Test (Statistical Test t)

Table 7. Coefficiens[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	-1.100	7.027		-.156	.876
EPS	-.207	.052	-.206	-3.955	.000
Uk	-.300	2.119	-.007	-.142	.887

Source: SPSS versi 24

Based on hypothesis 1 testing in table 7 of the Statistical Test Results t can be known the variable coefficient of earnings per share of -0.207. A calculated t value of -3.955 is greater than the table t of -1.965957 and a signification value of 0.00 is smaller than 0.05. This result shows that H1 is accepted, which means that the variable earnings per share has a significant negative effect on stock returns. While in Testing Hypothesis 2 Statistical Test Results t can be known statistical test t for the variable size of the company obtained a calculated t value of -0.142 which is smaller than t table -1.965957 and a signification value of 0.887 greater than 0.05. This result shows that H2 is unacceptable which means that the variable size of the company has no effect on stock returns.

c) Overall Significance Test of Sample Regression (Statistical Test F)

Table 8. ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	94.809	2	47.404	8.990	.000[b]
	Residual	2093.310	397	5.273		
	Total	2188.118	399			

Source: SPSS versi 24

Based on table 8 of the F Statistical Test Results, it can be known that the calculated f value of 8.990 is greater than the F table of 3.018452 and the significance value of 0.00 whose value is smaller than 0.05, it can be concluded that the independent

variables, namely earnings per share and company size together or simultaneously affect stock returns.

d) Moderated Regression Analysis (MRA) Test

Table 9. Coefficiens[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	-13.916	8.426		-1.652	.099
EPS	-.176	.057	-.175	-3.070	.002
Uk	3.500	2.551	.086	1.372	.171
Ocf	.015	.028	.032	.551	.582
EpsxOcf	-2.147E-11	.000	-.029	-.452	.652
UkxOcf	-4.483E-9	.000	-.188	-2.709	.007

Source: SPSS versi 24

Based on table 4.15 of the Model 3 Regression Equation, the model 3 regression equation can be made in this study Return = -13.916 - 0.176 eps + 3.500 uk + 0.015 ocf – 2.147E-11 eps*ocf – 4.483E-9 uk*ocf + □ From the regression equation above, a constant of -13.916 states that if the independent variables, namely earnings per share and company size, have a constant value, the stock return value is -13.916. The regression coefficient value of the eps variable (earnings per share) of 0.176 with a negative direction shows that if the variable earnings per share increases by 1%, the stock return value will decrease by 0.176. The value of the regression coefficient of the uk variable (company size) of 3,500 with a positive direction shows that if the company size variable increases by 1 percent, the stock return value will increase by 3,500. The regression coefficient value of the ocf variable (operating cash flow) of 0.015 with a positive direction shows that if the ocf variable increases by 1 percent, the stock return value will increase by 0.015. The regression coefficient value of the eps interaction variable with ocf (epsxocf) of 2.147E-11 with a negative direction shows that if the variable of interaction of Eps with ocf decreases by 1 percent, the stock return value will decrease by 2.147E-11. The regression coefficient value of the uk interaction variable with ocf (ukxocf) of 4.483E-9 with a negative direction shows that if the uk interaction variable with ocf decreases by 1 percent, the stock return value will decrease by 4.483E-9.

CONCLUSION

This study aims to explore the effect of earnings per share, debt to equity ratio, and company size on partial and simultaneous stock returns. The results showed several conclusions. First, partially, earnings per share have a significant negative influence on stock returns. That is, an increase in earnings per share has the potential to cause a decrease in stock returns, perhaps due to an oversupply of shares which results in earnings per share getting smaller. Second, partially, the debt-to-equity ratio also has a significant effect on stock returns, with a high DER indicating the company's dependence on outsiders. Third, partially, the size of the company does not have a significant effect on stock returns. This suggests that investors may not pay much attention to company size in assessing potential returns, as both large and small companies have a significant chance of delivering significant returns.

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