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Effect of Earnings Per Share in Stock Return in the LQ 45 Period 2016 - 2022

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A R T I C L E I N F O
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A B S T R A C T
This study aims to determine Earning Per Share on stock returns in LQ 45 for the 2016 – 2022 period, to determine the partial effect of Interest Rate on stock returns in LQ 45 companies for the 2016 – 2022 period, to determine the partial effect of Interest Rate on stock returns in LQ 45 companies for the period 2016 – 2022 and to determine the simultaneous effect of interest rates and exchange rates on stock returns in LQ 45 companies for the period 2016 – 2022. The research method used in this research is multiple linear regression analysis. The data used in this study uses secondary data obtained from financial reports and data from Bank Indonesia. The selection of samples in this study are companies that are listed on the IDX from 2016 to 2022 which are included in the company. The results of the study stated that the variables partially had no effect on stock returns while the interest rate and exchange rates had a partial effect on stock returns. Simultaneously variables, Interest Rates, and exchange rates have a significant influence on stock returns. Based on the results of the coefficient of determination that the variable, Interest Rate and exchange rates have the greatest influence Interest Rate and exchange rates have a significant influence on stock returns. Based on the results of the coefficient of determination that the variable, Interest Rate and exchange rates have the greatest influence Interest Rate and exchange rates have a significant influence on stock returns. Based on the results of the coefficient of determination that the variable, Interest Rate, and exchange rates have the greatest influence39.7%.

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INTRODUCTION

The financial market in Indonesia. This is indicated by the increasing number of companies that have gone to the community. Basically, investment is an activity that continues to place funds in the hope of obtaining additional profit. In general, financial investment is divided into two parts, capital market, and money market. This distribution is above the financial instruments or securities traded" (Sinaga, 2016: 13).

"Investors have many choices in investing funds in the capital market and money market. However, in making investment decisions, investors consider the factors that affect the rate of return on their investment in the future, that investment decisions must be made based on careful analysis and calculations. World assets and the capital market have an interrelated relationship because investors can make decisions to carry out their investment activities in the form of stocks/bonds. These changes depend on returns, and the risks borne by the investor. Capital market turmoil reflects changes in investor behavior in investing Prime, et al, 2016: 2).

LITERATURE REVIEW

The financial market in Indonesia. This is indicated by the increasing number of companies that have gone to the community. Basically, investment is an activity that continues to place funds in the hope of obtaining additional profit. In general, financial investment is divided into two parts, capital market, and money market. This distribution is above the financial instruments or securities traded" (Sinaga, 2016: 13).

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The goal of a manager is to maximize the value of his company's shares. This value is measured in the cash flow that will generate the company in the future (Brigham and Houston 2010: 83). Financial ratios as an instrument for analyzing company performance that explain various relationships and financial indicators, which are intended to show changes in financial conditions or past operating performance and help describe trends in changing patterns, to then show the risks and opportunities inherent in the company concerned. This shows that the analysis of financial ratios, although based on past data and conditions, is intended to assess risks and opportunities in the future (Apriliana, 2008:2).

"Hardiningsih's study, et al (2001), showed that the exchange rate/US dollar had a negative effect on stock returns, while Nurdin's research (1999) showed that the exchange rate/US dollar had no effect on stock investment risk (Meta, 2006: 2). Based on the results of Purwiani's research (2007) in Ali Sadikin

(2011: 24) regarding the effect of EARNING PER SHARErisk and Interest Rate risk have a significant effect on stock returns. Where market risk and rupiah EARNING PER SHARE risk have a significant effect on stock returns in a positive direction, while Interest Rate risk has an effect on stock returns but in a negative direction. Bilson, Brailsford, and Hooper (2001) use high market value and several different macroeconomics to explain stock returns. The results of this study suggest that product prices and reality have a limited ability to explain variations in returns. Meanwhile, the supply of money, exchange rates, and market returns become very significant in explaining returns. Wongbangpo and Sharma (2002) examined the relationship between stock prices and several macroeconomic factors in five ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, and Thailand). The results of this study state that stock prices in the long term have a positive relationship with output growth in the long term. In the short run, stock prices are found as a function of past and current macroeconomic values. Lestari (2005) also conducted a macroeconomic study stating that the macroeconomic variables on stock returns were not significantly affected. However, by using the Granger causality model, the results of his research show that these macro variables affect stock returns".

In analyzing financial performance there are quite a lot of them including return on assets, total asset turnover, and others. "Return On Assets (ROA) is a profitability ratio that shows the comparison between profit (before tax) and total bank assets, this ratio shows the level of efficiency of asset management carried out by the bank concerned" (Riyadi, 2003: 137). Financial performance that can affect other stock returns is total asset turnover, total asset turnover shows how effectively the company uses all of its assets to increase sales value and increase profits (Sartono, 2001: 122). A high TATO ratio value indicates the more efficient a company is in utilizing its assets and indicates the greater the sales it generates. A high TATO value will reduce investor uncertainty in investing their funds. From high sales, it is expected to generate high returns as well.

"Another financial achievement is earnings per share, earnings per share (EPS) is the ratio between income (in this case net profit after tax) and the company's number of shares. For investors, EPS information is considered the most fundamental and useful information, because it can describe the future earnings prospects of the company (Tandelin, 2001). (EPS) shows the level of profit earned for each share. The greater the EPS, the greater the profit received by shareholders, it shows the better the operational condition of the company (Darmadji and Fakhruddin, 2006:195).

Based on the explanation described above, the authors are interested in conducting research with the title "Influence of Interest Rates () and Exchange Rates on Stock Returns in LQ 45 Companies for the Period of 2016 - 2022".

METHODOLOGY

LQ 45 is the market capitalization value of the 45 most liquid stocks and has a large capitalization value, it is an indicator of liquidation, using 45 stocks selected based on stock trading liquidity and adjusted every six months (www.idx.co.id).

LQ 45's objective is to complement the JCI and in particular to provide an objective and reliable tool for financial analysts, investment managers, investors, and other capital market observers in monitoring price movements of actively traded stocks. Thus, the shares contained therein will always change. Some of the selection criteria to determine whether an issuer can be included in the LQ 45 calculation are:

1. The first criterion is:
   a. Being in the TOP 95% of the total average annual stock transaction value in the regular market.
   b. Be in the TOP 90 % of the annual average market capitalization.
2. the second is:
   a. Is the highest order representing the sector in the JSX industry classification according to its market capitalization value.
   b. Is the highest order based on the frequency of transactions (Tjiptono, 2001:95-96).

LQ 45 only consists of 45 stocks that have been selected through various selection criteria, so they will consist of stocks with high liquidity and market capitalization. LQ 45 shares must meet the following criteria and pass the main selection:

1. Entered in the top 60 of total stock transactions in the regular market (average transaction value over the last 12 months).
2. Ranking by market cap (average market cap over the last 12 months)
3. Has been listed on the BEJ for at least 3 months
4. The financial state of the company and its growth prospects, the frequency and number of trading days of regular market transactions.

The shares included in LQ 45 are continuously monitored and a review will be held every six months (early February and August). If there are shares that do not meet the criteria, they will be replaced with other shares that meet the requirements. The selection of MANUFAKTUR shares must be reasonable, therefore the JSX has an advisory committee consisting of experts at BAPEPAM, Universities and professionals in the capital market sector (www.idx.co.id).

RESEARCH RESULT

Results of Multiple Linear Regression Coefficient Analysis

a. Determination Coefficient Results

Table 1. Coefficient Results Determination (Adjusted R2)

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.647[a]	.419	.397	.62352	1.792

a. Predictors: (Constant), KURS, EPS, SBI
b. Dependent Variable: RS

Based on the table above, it is known that the Adjusted R square value is 0.397 (39.7%). This shows that using the regression model is obtained where the independent variables, namely, Interest Rate and exchange rates have an influence on the stock return variable of 39.7%. While the remaining 60.3% is

explained by other factors or variables that are not known and are not included in this regression analysis, such as return on assets, debt to equity ratio and others.

b. Coefficient Results of Multiple Linear Regression Equations

Multiple linear regression analysis is a test used to determine how much the level of influence between the independent variables (interest rates and exchange rates) on the dependent variable (stock returns). The results of multiple linear regression, the effect of interest rates and exchange rates on stock returns are as follows:

Table 2. Coefficient Results of Multiple Linear Regression Equations

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	28.210	3.672	
	EPS	7.405E-005	.000	.068
	SBI	-.751	.103	-1.732
	KURS	-.003	.000	-1.799

a. Dependent Variable: RS

The table above can be formulated a regression equation to determine the effect of interest rates and exchange rates on stock returns as follows:

Y = a + bx1 + bx2 + bx3 + bx

Y = 28.210 + 7.40 X1 + 0.751 X2 + 0.003 X3

Information:
Y: Stock Returns
X1:
X2: Interest Rate ()
X3: EXCHANGE EXCHANGE

The coefficients of the multiple linear regression equation above can be interpreted as a regression coefficient for a constant of 28.210 indicating that if the variable, Interest Rate, and EARNING PER SHAREis zero then the stock return value is 28.210 units. Note that other variables are considered constant. The variable 7.40 indicates that if the variable increases by 1 unit, it will increase the stock return by 7.40 units. The variable of 0.751 indicates that if the variable increases by 1 unit, it will increase stock returns by 0.751 units. The KURS variable of 0.003 indicates that if the KURS variable increases by 1 unit, it will increase stock returns by 0.003 units, provided that other variables are held constant.

Hypothesis Test Results

a. Statistical Test Results F (Simultaneous)

The F test was carried out to see the effect of the variable, Interest Rate, and the overall EARNING PER SHAREon the stock return

variable. Following are the simultaneous test results, the ANOVA test results are obtained as follows:

Table 3. Statistical Test Results F (Simultaneous)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.686	3	7.562	19.451	.000[b]
	Residual	31.491	81	.389		
	Total	54.176	84			

a. Dependent Variable: RS
b. Predictors: (Constant), KURS, EPS, SBI

From the data above, a significant value of 0.000 is obtained, which means that provision number two applies in this study, that Ho is rejected and Ha is accepted. The results of this F test state that the simultaneous test results above are true.

In this study, the Fcount value was 19.451 which was greater than the Ftable value of 2.66. It can be concluded that there is a linear influence between the independent variables and the dependent variable.

b. T-test results (partial test)

Table 4. t-test results (partial test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	28.210	3.672		7.683	.000
	EPS	7.405E-005	.000	.068	.804	.424
	SBI	-.751	.103	-1.732	-7.276	.000
	KURS	-.003	.000	-1.799	-7.560	.000

a. Dependent Variable: RS

Based on the results of the t-test, it can be seen that the independent variables (Interest Rate and exchange rate) have a partial effect on stock returns. While the variable has no effect on stock returns.

The objects in this study are LQ 45 companies listed on the Indonesian Stock Exchange (IDX). The method used in this research is the case study method which is one of the descriptive studies, with this study it is hoped that it can reveal in depth the variables that will be able to describe the analysis, EARNING PER SHARE on stock returns.

The data used in this study, both for the purpose of describing and for analyzing, were obtained from secondary data which are quantitative in nature. Secondary data is data whose information is obtained indirectly from the company. Meanwhile, according to Kuncoro (2011: 31), secondary data is a source of research data obtained by researchers indirectly through intermediaries (obtained and recorded by other parties). These secondary data are in the form of financial report ratios from company financial reports that have been audited on the Indonesia Stock Exchange (IDX) as of December 31, 2021 - 2021.

The sample was used with the purposive sampling method. The purposive sampling method is a sample taken based on certain criteria to obtain a sample that is in accordance with the research objectives (Yama and Adityawati, 2009:287). The sample in this study was determined based on several criteria or considerations as follows: 1) companies that have been listed on the Indonesia Stock Exchange in the period 2010 to 2014, 2) companies publish audited

financial statements using the financial year ending December 31, 3) LQ 45 companies listed on the Indonesia Stock Exchange

Data collection techniques using financial statement analysis. The samples used as research objects were 17 LQ 45 companies listed on the IDX.

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    c. Being in the TOP 95% of the total average annual stock transaction value in the regular market.
    d. Be in the TOP 90 % of the annual average market capitalization.
2. The second is:

- Is the highest order representing the sector in the JSX industry classification according to its market capitalization value.
- Is the highest order based on the frequency of transactions (Tjiptono, 2001:95-96).
- LQ 45 only consists of 45 stocks that have been selected through various selection criteria, so they will consist of stocks with high liquidity and market capitalization. LQ 45 shares must meet the following criteria and pass the main selection:

3. Entered in the top 60 of total stock transactions in the regular market (average transaction value over the last 12 months).
4. Ranking by market cap (average market cap over the last 12 months)
5. Has been listed on the BEJ for at least 3 months
6. The financial state of the company and its growth prospects, the frequency and number of trading days of regular market transactions.

The shares included in LQ 45 are continuously monitored and a review will be held every six months (early February and August). If there are shares that do not meet the criteria, they will be replaced with other shares that meet the requirements. The selection of LQ 45 shares must be reasonable, therefore the JSX has an advisory committee consisting of experts at BAPEPAM, Universities and professionals in the capital market sector (www.idx.co.id).

DISCUSSION

Results of Multiple Linear Regression Coefficient Analysis

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b. Coefficient Results of Multiple Linear Regression Equations

Multiple linear regression analysis is a test used to determine how much the level of influence between the independent variables (interest rates and exchange rates) on the dependent variable (stock returns). The results of multiple linear regression, the effect of interest rates and exchange rates on stock returns are as follows:

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Information:
Y: Stock Returns
X1: Earnings Per Share

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increase stock returns by 0.003 units, provided that other variables are held constant.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of an analysis of the influence of interest rates and exchange rates on stock returns. Based on the results of the regression test, several conclusions can be drawn:

1. The results of the t-test state that the Earning Per Share variable partially has an influence on stock returns.

The results of the F test state that the variables, Earning Per Share rates simultaneously have an influence on stock returns.

Based on the results and analysis that has been carried out by the researcher, this research still has many shortcomings and weaknesses, so there are still many things that need to be improved and considered again for further research, some suggestions need to be added for even better research, the suggestions are as follows:

1. Using all companies listed on the Indonesia Stock Exchange as research samples so that they can reflect the actual market conditions that occur on the Indonesia Stock Exchange.
2. Extend the period (time) of the study in order to increase the amount of data, so you will get more normal data results.
3. Adding other variables that can affect stock returns so that it can become a research area.
4. Looking for theories that are relevant to the current situation.
5. Do better and more thorough analysis tools so that it will produce even more accurate data.

ACKNOWLEDGMENT

According to Karl and Fair (2001: 635), Interest Rate is the annual interest payment on a loan, in the form of a percentage of the loan obtained from the amount of interest received each year divided by the loan amount. Interest Rate is the price of the loan. Interest Rate is expressed as a percentage of the principal per unit of time. Interest is a measure of the price of resources used by debtors that must be paid to creditors (Sunariyah, 2004:80).

According to Prasetiantono (2000: 97) regarding the interest rate, if the interest rate is high, people will automatically prefer to save their funds in a bank because they can expect a profitable return. And in this position, people's demand to hold cash is lower because they are busy allocating it to the banking portfolio (deposits and savings). Along with the reduced money supply, the desire to spend also decreased. Furthermore, the price of general goods and services will tend to be stagnant, or there will be no inflationary stimulus. Conversely, if the Interest Rate is low, people tend to be no longer interested in saving their money in the bank.

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