



{ MUDIMA }



## The Effect of Earning Per Share (EPS) and Price Earning Ratio (PER) on Stock Prices Listed in the LQ45 Index for the 2020-2022 Period

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### ABSTRACT

The purpose of this research is to examine how the price-earnings ratio (PER) and earnings per share (EPS) affect the stock prices of firms that are part of the LQ45 index between 2020 and 2022. The study used a quantitative descriptive methodology, and the sample was chosen via purposive sampling. Eight businesses from the main and non-primary consumer goods industries specified in LQ45 make up the sample. IBM SPSS Statistics software version 27 facilitates the use of multiple linear regression analysis for data analysis. According to the results of the T-test, there is no discernible difference between the effects of EPS and PER on stock prices. Nonetheless, the findings of the F-test show that EPS and PER taken together significantly impact stock prices

## INTRODUCTION

In the era of globalization, the business world is undergoing major changes due to the progress of international integration. The process of globalization has opened the door for people around the world to interact with each other in various fields such as economics, politics, culture, technology, and the environment. As local products are increasingly easy to sell abroad, globalization has a significant impact on the business world. This is because a larger market is created, allowing countries to develop larger markets as long as their products are highly competitive. In addition, globalization has allowed foreign workers to enter the country, which has created new challenges and new opportunities in the world of work. Although globalization has positive effects, such as expanding markets and increasing access to information, it also has negative effects, such as increased competition and increasing economic disparities. Therefore, the business world must be smart, innovative, and adaptable to take advantage of opportunities and face new challenges in the era of globalization. (Wahyudi, 2023).

Companies are developing specialized technology, which is one of the factors that influence progress and effectiveness in various business sectors. Companies can gain a wider market and gain greater competitiveness by developing more specialized and attractive products in the era of globalization thanks to the advancement of specialized technology. The development of specialized company technology includes innovation, efficiency, adaptation, cooperation, international cooperation, market development, and global cooperation. (Wijaya, 2016)

In the capital market, the purchase and sale of long-term financial instruments allows governments and businesses to raise funds. Investors can acquire

stocks and bonds through this market, which facilitates the trading of securities between companies and investors. Its ability to increase business productivity, encourage industrial growth, and create more jobs makes the capital market very important to the economy. The existence of the capital market allows companies to develop their businesses, and investors can make a profit by investing in securities (Juliati, 2015).

This market consists of several participants, including issuers, intermediary entities, authorities responsible for enforcing capital market regulations, and investors. It also includes different market structures, such as primary markets and secondary markets. By utilizing the capital market, companies and investors can contribute to economic development and build long-lasting investment prospects (Fatihudin, 2019).

The amount of profit an investor makes for each share they hold is measured by earnings per share, or EPS. The potential profit an investor might make per share increases with the EPS. The company's stock price may rise as a result of the increased interest from investors in purchasing shares. Information regarding EPS is included in the company's financial reports that are given to outside parties (Santy, 2017).

The second crucial factor in assessing a business is the Price Earnings Ratio (PER), which compares earnings per share with stock price. The amount that investors must pay for each rupiah of revenue produced by the business is shown by the PER data. The rise in the company's earnings is shown by the PER ratio. A firm with a high Price Earnings Ratio (PER) is seen by investors as having promising future prospects (Alfianto, 2023). As a result, a high PER is seen as a sign of strength that may encourage investors to purchase stock, hence influencing stock prices (Alfianto, 2023).

Table 1. Price Index of Stocks of Companies in Primary and Non-Primary Consumer Goods Sectors

No	Kode	2020		2021		2022	
		Low	High	Low	High	Low	High
1	ACES	1.600	1.850	1.190	1.340	392	520
2	AMRT	700	885	700	855	2.330	3.090
3	CPIN	6.100	7.100	5.750	6.100	5.525	6.025
4	ICBP	9.275	10.225	8.450	9.200	9.725	10.450
5	INDF	6.825	7425	6.300	8.450	6.525	7.000
6	GGRN	40.825	49975	30.475	32.450	18.000	19.950
7	MAPI	760	960	690	785	1.270	1.480
8	UNVR	7.350	7800	4.050	4.550	4.560	4.870

Source: investing.com (accessed on May 10, 2024)

Based on the table above, it shows the stock index price that has increased and decreased which is presented in the form of low and high. In 2020, the stock index with the lowest offer was obtained by the AMRT issuer at 700 and the GGRM issuer obtained the highest offer of 40,825. Furthermore, in 2021, the stock index price that received the lowest offer was obtained by the AMRT issuer at 885. And the highest gain was obtained by the GGRM issuer at 49,975.

Then, in 2022, the ACES issuer achieved the lowest stock index price at 392, while GGRM had the highest offer at 19,950. The performance of the 45 most liquid equities (LQ45) on the Indonesian stock market was reported by CNBC Indonesia. Forty-five businesses listed on the Indonesia Stock Exchange (IDX) and traded on the stock market make up the LQ45 stock index. The selection of these businesses is predicated on several factors, such as market capitalization, fundamental conditions, and future growth prospects for the company. Thus, LQ45 reflects the stock performance of large and liquid companies in the Indonesian capital market.

The benefits for companies studying stocks and investments include providing an overview of overall stock market performance, then identifying trends, then investors can use the stock index as a benchmark to measure the performance of their investment portfolios, helping companies and investors manage their investment risks. Thus, by understanding the stock index and using that information effectively, companies and investors can make better investment decisions, manage risk better, and maximize the potential return on their investments (Budiarto, 2017).

The author wants to know how much influence EPS and PER have on stock prices based on the context that has been explained previously. The study "The Effect of Earning Per Share (EPS) and Price Earning Ratio (PER) on Stock Prices Listed in LQ45 for the 2020-2022 Period" was conducted by the author for this reason. The researcher defines the problem in this study as follows, taking into account the background that has been explained previously: 1) How does EPS (Earning Per Share) affect stock prices in 2020–2022 listed in LQ45? 2) How does PER (Price Earning Ratio) affect stock prices in 2020–2022 listed in LQ45? 3) How do Price Earning Ratio (PER) and Earning Per Share (EPS) affect stock prices listed in LQ45 for the 2020–2022 period together.

## METHODS

This study's research methodology combines a quantitative technique with a descriptive strategy. According to Sugiyono (2022), the descriptive technique is a means of examining the current state of a collection of individuals, things, circumstances, ideas, or events. Presenting a methodical, factual, and correct representation of the facts, traits, and connections between the phenomena being studied is the main goal of descriptive research. The impact of the Price Earnings Ratio (PER) and Earnings Per Share (EPS) variables throughout the 2020–2022 timeframe is examined in this research using an associative methodology. Purposive sampling, which determines samples by taking into account unique factors that make them deserving of being samples, was the method utilized to determine the sample in this research. Companies that provide financial reports and have been in the LQ45 for three consecutive years, companies in the LQ45 that are part of the primary and non-primary

consumer goods sectors, and companies included in the LQ45 Period 2020–2022 are the sample criteria. Secondary data were employed in this research, and documentation was the method of data gathering. Gathering secondary data from the financial statements of pharmaceutical businesses listed on the Indonesia Stock Exchange is part of the documentation approach. The normality, autocorrelation, heteroscedasticity, and multicollinearity tests are the traditional assumption tests that must be submitted before doing multiple analytic calculations. Multiple regression analysis is the analytical method used in this research. Sugiyono (2022) states that researchers utilize multiple linear regression or linear regression to forecast the state (growth and decrease) of a dependent variable. There are more variables employed, including the dependent variable, when using the multiple linear regression approach. The purpose of this study is to look at how the variables Price Earnings Ratio (EWR<sub>2</sub>) and Earnings Per Share (EPR<sub>1</sub>) affect the dependent variable, which is the stock price. The following is the multiple regression formula.

$$Y = \alpha + \beta_1 \cdot X_1 + \beta_2 \cdot X_2 + e$$

### Hypothesis Testing

#### Uji t

In essence, the t-statistic test illustrates the relative contribution of each independent and explanatory variable to the explanation of the dependent variable's variance. The significance threshold for the t-test is set at 5%. According to Ghozali (2018), the t-statistic is used for hypothesis testing, with the following selection criteria:

- A more straightforward explanation If the absolute t-value is greater than 2, the null hypothesis (Ho) is rejected when the degrees of freedom (df) are 20 or more and the confidence level is set at 5%. The alternative hypothesis (Ha), which states that the independent variable has a partial impact on the

dependent variable, is therefore accepted.

- Examine the difference between the t-statistic and t-table values. The alternative hypothesis (Ha) is accepted and the null hypothesis (Ho) is rejected if the t-statistic is greater than the t-table value. This suggests that there is a partial relationship between the independent and dependent variables.

#### Uji f

According to Ghozali (2018), simultaneous testing is used to determine if the independent variables together have an impact on the dependent variable and to analyze the goodness of fit, which measures how well the sample regression function predicts the real value. The significance threshold for testing the hypothesis is 0.05. The hypothesis is accepted if the significance value is less than 0.05. This suggests that the independent and dependent variables have a substantial connection. By contrasting the computed F value with the F table value, which is obtained from the df1 and df2 values, one may evaluate the goodness of fit. Ghozali (2018) states that F-statistics are used to test this hypothesis in accordance with these selection criteria.

- At the 5% significance level, Ho is first rejected if the computed F value is greater than the F table value. Ha is thus approved, suggesting that every independent variable significantly influences the dependent variable at the same time.
- Examine the difference between the computed and F table values. Ho is rejected while Ha is approved if the computed F exceeds the value in the F table.

## RESULTS AND DISCUSSION

### Calculation Results

#### Analisis Earning Per Share

Table 2. Earnings Per Share Calculation Results

No	Perusahaan	Earning Per Share			Rata - Rata
		2020	2021	2022	
1	Hardware Indonesia Tbk	4,86	4,90	4,11	4,62
2	Sumber Alfaria Tbk	3,77	4,72	6,81	5,1
3	Charoen Pokphond Indonesia Tbk	23,25	22,17	17,97	21,13
4	Indofood CBP Sukses Makmur Tbk	12,72	14,41	17,97	15,03
5	Indofood Sukses Makmur Tbk	10,52	13,62	12,36	12,16
6	Gudang Garam Tbk	7,89	5,99	3,01	5,63
7	Mitra Adiperkasa	0,76	0,67	3,09	1,50
8	Unilever Tbk	92,48	74,92	72,25	79,88
<b>Rata - Rata</b>		19,53	17,67	17,19	18,13

Source: Secondary data processed by researchers in 2024

Based on the table above, it can be seen that the average EPS value of LQ45 companies in the primary and non-primary consumer goods sector in 2020 was 19.53, in 2021 it was 17.67, in 2022 it was 17.19 and for the average EPS value for 3 years

of research it was 18.13. Based on the table, every year there is always a decrease in EPS value, the cause of the decrease in EPS is due to the decrease in the company's income profit, an increase in shares outstanding and high dividend allocation.

#### Analisis Price Earning ratio

Table 3. Price Earning Ratio Calculation Results

No	Perusahaan	Price Earning Ratio			Rata-Rata
		2020	2021	2022	
1	Hardware Indonesia Tbk	40,83	31,22	13,05	28,36
2	Sumber Alfaria Tbk	32	26,41	38,97	32,46
3	Charoen Pokphond Indonesia Tbk	27,88	26,92	31,56	28,78
4	Indofood CBP Sukses Makmur Tbk	16,86	15,85	25,45	19,38

5	Indofood Sukses Makmur Tbk	9,23	7,23	9,29	8,58
6	Gudang Garam Tbk	10,31	10,5	12,46	11,09
7	Mitra Adiperkasa	23,94	28,4	11,29	21,21
8	Unilever Tbk	39,63	27,22	33,33	33,39
<b>Rata – Rata</b>		25,08	21,71	21,92	22,90

Source: Secondary Data Processed by Researchers in 2024

Based on the table above, it can be seen that the average PER value in 2020 was 25.08%, in 2021 it was 21.71%, in 2022 it was 21.92% and for the average over the three years of the study it was 22.90%. Based on the table above, the PER value in 2021 also experienced a fairly significant decline

due to the cause of the decline being the lack of company profit income, an increase in interest rates and changes in the company's capital. However, in 2022 the PER value is stable.

### Stock Price

Table 4. Share Price Per Sheet in LQ45 Companies in 2020-2022

No	Kode saham	Perusahaan	Tahun			Rata - rata
			2020	2021	2022	
1	ACES	Hardwara Indonesia Tbk	1.715	1.280	496	1.164
2	AMRT	Sumber Alfaria Tbk	800	1.215	2.650	1.555
3	CPIN	Charoen Pokphong Indonesia Tbk	6.525	5.950	5.650	6.042
4	ICBP	Indofood CBP Sukses Makmur Tbk	9.525	8.700	10.00	6.075
5	INDF	Indofood Sukses Makmur Tbk	6.850	6.525	6.725	6.633
6	OGRM	Gudang Garam Tbk	41.00	30.600	18.000	29.367
7	MAPI	Mitra Adiperkasa	790	710	1.445	982
8	UNVR	Unilever Tbk	7.450	4.110	4.700	5.420
<b>RATA-RATA</b>			9.332	7.361	4.958	7.217

Source: Secondary Data Processed by Researchers in 2024

Based on the table above, it can be seen that the average share price of LQ45 companies listed on the Indonesian Stock Exchange in 2020 was 9,332, in 2021 it was 7,361, in 2022 it was 4,958 and for the average share price during the three years of research it was 7,217.

Based on table 4.5, it can also be seen that share prices always decrease every year. The cause of the decline in shares is due to poor company performance, such as lack of company profit and poor operational performance. Causes outside the company can also affect the decline in share prices such as foreign currency fluctuations, market recovery after COVID-19.

### The Impact of Earnings Per Share on Stock Prices

EPS or Earnings Per Share is one of the metrics used in financial analysis to evaluate a company's profitability. EPS measures how much net profit a company generates for each outstanding share. Based on the calculation results of Earning Per Share, the average EPS value of LQ45 companies is 18.13.

Based on the results of the partial T test, a significance value of  $0.798 > 0.05$  is obtained, indicating that  $H_0$  is accepted. Therefore, the Earnings Per Share variable does not have a significant effect on stock prices in LQ45 companies.

### **The Impact of Price-to-Earnings Ratio on Stock Prices**

One of the indicators used in financial analysis to evaluate a stock's value is the price-to-earning ratio (P/E ratio), also known as the comparison of price to earnings per share. Therefore, by giving a summary of the company's value and market expectations, the P/E ratio is one of the key indicators in stock valuation research that aids investors in making investment choices. An average PER of 22.90 was determined based on the Price Earning Ratio computation findings for LQ45 firms for the 2020–2022 timeframe. The price-to-earnings ratio variable does not substantially impact stock prices in LQ45 businesses over the 2020–2022 timeframe, according to the findings of the T test above, which show that the price-to-earnings ratio variable partly receives a significant value of  $0.287 > 0.05$ . Therefore,  $H_0$  is accepted.

### **The Impact of Earnings Per Share and Price-to-Earnings Ratio on Share Prices**

The Price-to-Earnings Ratio and Earnings Per Share (EPS) variables yielded an F-table value of 2.073 and an F-count value of 2.947, indicating that  $2.947 > 2.073$ , with a significance value of  $0.004 < 0.05$ , according to the F test findings. As a result,  $H_0$  is disproved, suggesting that stock prices are significantly impacted simultaneously by the Price-to-Earnings Ratio and Earnings Per Share factors. Given that the EPS and PER factors have a substantial impact on stock prices at the same time, investors may use this as a reference when examining the stock prices of LQ45 businesses in the main and non-primary consumer goods sectors prior to making investment selections. The coefficient of determination test findings show that the price-to-earnings ratio and earnings per share variables have a limited capacity to explain the stock price variable, with a R value of 0.468, or 46.8%. Other variables not included in this research have an impact on the remaining 53.2%.

### **CONCLUSION**

The findings of this research may be summed up as follows in light of the analysis and discussion outcomes.

1.  $H_0$  is accepted based on the Earnings Per Share variable's T test findings, which show a probability value of  $0.798 > 0.05$ . For the 2020–2022 timeframe, this suggests that the stock prices of LQ45 businesses in the main and non-primary consumer goods sectors are not significantly impacted by earnings per share.  
 $H_0$  is approved based on the Price-to-Earnings Ratio variable's T test findings, which show a probability value of  $0.287 > 0.05$ . According to this, LQ45 firms in the main and non-primary consumer goods sector are not significantly impacted by the price-to-earnings ratio for the 2020–2022 timeframe.
2. According to the F test findings, the Price-to-Earnings Ratio and Earnings Per Share variables have a significance value of  $0.004 < 0.05$  and an F-count value of 2.947 and an F-table value of 2.073 ( $2.947 > 2.073$ ). This indicates that  $H_0$  is rejected, suggesting that during the 2020–2022 timeframe, the Price-to-Earnings Ratio and Earnings Per Share variables significantly affect stock prices in LQ45 businesses in the main and non-primary products sectors at the same time.
3. With a coefficient of determination test R value of 0.468, the price-to-earnings ratio and earnings per share variables only partially explain the stock price variable; the remaining 53.2% is impacted by other factors not included in this research.

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