

# EARNING PER SHARE (EPS), CURRENT RATIO (CR), AND RETURN ON EQUITY (ROE) ON MINING SECTOR STOCK PRICES ON THE IDX

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## ABSTRACT

*This study aims to determine the effect of Earning Per Share (EPS), Current Ratio (CR), and Return on Equity (ROE) on Stock Prices in the Mining Sector. The population in this study amounted to 45 mining companies listed on the Indonesia Stock Exchange from 2018-2020. The data analysis technique used in this research is Multiple Linear Regression for hypothesis testing. The sampling method used in this research is purposive sampling with criteria, obtained a total sample of 36 companies. The results of this study indicate that the Current Ratio (CR) and Return On Equity (ROE) have a significant effect on share prices in the mining sector, while Earning Per Share (EPS) have no significant and positive effect on share prices in the mining sector.*

**Keywords:** Stock Price; Earnings Per Share (EPS); Current Ratio (CR); Return On Equity (ROE); Mining

## INTRODUCTION

Business in Indonesia is currently growing quite rapidly; it can be seen from the many new companies that have sprung up with competitive competitiveness while also supporting the country's economic activities. The emergence of new companies will make a company able to compete with other companies. In developing a business, companies need additional capital in various ways, one of which is turning a closed company into a go-public company or Initial Public Offerings (IPO). Companies that go public or Initial Public Offerings (IPOs) are companies that have decided to sell their shares to the public or the general public; then, the company will be assessed openly and directly (Watung & Ilat, 2016). Public companies that go public obtain additional capital by trading shares freely in the capital market. The more companies that go public, the more investors will enter the capital market.

The mining sector is currently the central pillar of Indonesia's economic

expansion. The Indonesian economy survived, supported by the performance of value-added exports. In recent years, Indonesian regions, such as the eastern region, have increased added value from mining commodities into value-added manufactured goods. Mining companies are one of the pillars of a country's economic development because of their role as a provider of natural resources needed for economic growth (Israel et al., 2018). Public companies utilize the capital market to obtain sources of funds or capital. Investors will invest in the company if the investment pays off. The capital market gives the company a tool to review its performance and financial condition.

## THEORETICAL BASIS

### Capital Market

The capital market is generally the same as other markets; there are buyers and sellers, the only difference being that the objects are traded (Tavinayati & Qomariyanti, 2009). The capital market sells securities such as stocks, bonds, and certificates. Thus, the capital market is a

place that trades securities issued by institutions and professions related to securities. The capital market is a means of increasing capital for companies, income distribution, indicators of the country's economy, and increasing state revenues.

### **Stock Price**

Able to provide an attractive rate of return. Shares are proof of ownership of capital or funds in the company in the form of a piece of paper written on the nominal value, company name, rights and obligations for each holder, and inventory ready to be sold (Fahmi, 2013). The stock price is the price that occurs on the stock market at a particular time (Darmaji & Fakhrudin, 2012). The stock price is one indicator of success in managing a company. If the stock price increases, investors can judge that the company can manage it well.

### **Stock Technical Analysis**

According to (Sutrisno, 2017), fundamental analysis is a way of analyzing stocks that focuses on the performance of companies that issue shares and economic analysis that motivates the company's future later. The company's performance can be seen from the company's development, company financial statements, business projections, and cooperation. The stock price will also increase if the company's performance develops well. Fundamental analysis is an analysis to calculate the value of shares using the company's internal data (financial statements) (Hartono, 2013). Fundamental analysis aims to analyze and evaluate the value of a stock; the value of the stock is used as an assessment of the company's performance in the future.

While technical analysis estimates future price movements using charts, mathematical equations, and technical indicators based on previous prices (Wibowo, 2017), technical analysis studies market behavior represented by moving charts. The movement of the graph is the

price of a commodity in the stock exchange market, while the stock price is an agreement on supply and demand transactions that occur in the market. Technical analysis attempts to determine when to buy or sell a stock using graphical indicators.

### **Financial Statements**

The financial statements reflect the form of responsibility of a company's management to internal and external parties for a period. According to (Murhadi, 2013), financial statements are information that describes the accounting conditions of a company regarding company finances. The purpose of financial statements is to provide financial information, performance, and changes in a company's financial position that is useful in making economic decisions.

### **Financial Ratio**

Earnings Per Share (EPS) is the profit given to shareholders per share owned (Fahmi, 2012). High Earning Per Share (EPS) indicates that the company can provide profits to shareholders and vice versa. In theory, the higher the Earnings Per Share (EPS) value, the stock price tends to increase. If Earnings Per Share (EPS) show an increase, it will encourage investors to invest in the company, so the demand for shares also increases. Earnings per share compare the income generated (net income) with outstanding shares. Earnings Per share describes the company's profitability which is reflected in each share. Earning Per Share (EPS) is formulated as follows:

$$EPS = \frac{\text{laba bersih}}{\text{jumlah saham yang beredar}}$$

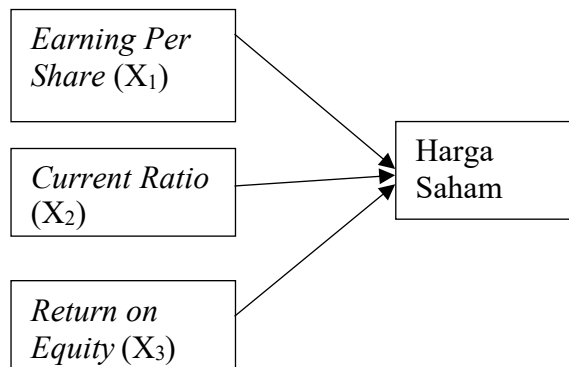
The current ratio is used to determine the ability to meet short-term obligations. According to (Bringham & Houston, 2010), the current ratio measures current assets to pay current debt. The greater the value of the Current Ratio indicates the company has sufficient funds to pay its obligations. The higher the Current Ratio, the greater the company's ability to meet its dividend

payment obligations. The current ratio affects stock prices because it measures the company's financial health in paying off debt. The current ratio is the comparison between current assets and current liabilities, which is formulated as follows:

$$CR = \frac{\text{aktiva lancar}}{\text{hutang lancar}}$$

Return on Equity is the ratio used to calculate the company's ability to generate profit after tax by using the company's capital. The more able the company to provide profits to shareholders, the greater the interest of investors to invest in the company. If the value of Return on Equity is higher, the more efficient the use of own capital and the higher the share price, which will also increase the company's value. Return on Equity (ROE) is formulated (Sudana, 2015) as follows:

$$ROE = \frac{\text{laba bersih}}{\text{ekuitas}}$$



## METHODS

*Explanatory research* explains the relationship between the variables studied between one variable and (Sugiyono, 2014). This research is included in the type of explanatory research. The research location was carried out on mining companies listed on the Indonesia Stock Exchange using financial reports published on the official website of the Indonesia Stock Exchange, [www.IDX.co.id](http://www.IDX.co.id).

In this study, the population used was 45 mining sector companies listed on the Indonesia Stock Exchange from 2018 to 2020. The sampling technique in this study used the purposive sampling method. The sample used is 36 companies that publish

financial reports on Mining Sector companies listed on the Indonesia Stock Exchange in 2018-2020.

The source of data used in this study is secondary data about the financial statements of mining companies from 2018-2020. The financial statements used are balance sheets and income statements. Balance sheet report in the form of current assets, current liabilities, equity, and several outstanding shares. Income statement in the form of net income. The data source is obtained by accessing the official website of IDX, which has published the company's financial statements.

## RESULT AND DISCUSSION

### Effect of Earning Per Share (EPS) on Stock Price

Based on the test results, it is concluded that Earning Per Share (EPS) has no significant effect but has a positive value on stock prices. The results of this study indicate that Earning Per Share (EPS) has no significant effect on stock prices in the mining sector. This is because the size of the value (EPS) in the company has not been able to affect the high and low stock prices. This shows that (EPS) cannot be used to predict stock prices. Some companies often do not distribute dividends to shareholders, which is the purpose of shareholders investing their capital to obtain a return from dividends. For example, the company cannot pay dividends because it is experiencing financial difficulties resulting in being unable to pay dividends, so it must withhold all income from spending on the investment (Muhardi, 2013). In addition, Earning Per Share (EPS) does not always affect stock prices; in the mining sector, it can be influenced by other factors. The increase or decrease in Earning Per Share (EPS) from year to year is an important measure to determine the good and bad work done by shareholders. The results of this study are supported by research by Rahmadewi & Abundanti (2018), and Khairani (2016)

## Effect of Current Ratio (CR) on Stock Prices

Based on the test results, it is concluded that the Current Ratio (CR) has a positive and significant effect on stock prices. The results of this study indicate that the Current Ratio (CR) has a significant effect on stock prices in the mining sector. This shows that the Current Ratio (CR) affects the rise and fall of stock prices, because the company is considered capable of optimizing current assets in paying debts. The higher the value of the Current Ratio (CR), the investors are interested in investing in the company, where the company illustrates that the company is able to meet its short-term obligations. If the value of the Current Ratio (CR) is good, the company's ability to meet the short term is also good so as to avoid liquidity problems Setiyawan & Pardiman (2014).

The results of this study are supported by the research of Sriwahyuni & Saputra (2017) and Fitriarningsih & Budiansyah (2019) which states that the Current Ratio (CR) partially has a significant effect on stock prices. However, this study also contradicts the research of I. S. Dewi & Utiyati (2017) and Azmi et al. (2016) which states that the Current Ratio (CR) partially has no effect on stock prices.

## The Effect of Return on Equity (ROE) on Stock Prices

Based on the test results, it is concluded that Return on Equity (ROE) has a significant and positive effect on stock prices. The results of this study indicate that Return on Equity (ROE) has a significant effect on stock prices in the mining sector. This is because Return on Equity (ROE) is a measure of profitability where investors want to know the level of profitability of share capital and the profits earned. The higher the Return on Equity (ROE) value, the more efficient the company is in managing its own capital. In addition, the more able the company to provide profits to shareholders, the greater the interest of investors to invest in the company so that the share price will increase.

The results of this study are supported by Widyaningrum & Suwitho (2020) and Wuryaningrum (2015) which state that Return on Equity (ROE) partially has a significant effect on stock prices. However, contrary to other research by Alipudin (2016) and Permatasari & Mukaram (2019) which stated that Return on Equity (ROE) did not have a significant effect on stock prices.

## CONCLUSION

The Earning Per Share (EPS) variable has no significant and positive effect on share prices of mining sector companies for the period 2018 to 2020. The Current Ratio (CR) variable has a significant and positive effect on share prices of mining sector companies for the period 2018 to 2020. Variable Return on Equity (ROE) has a significant and positive influence on share prices of mining sector companies for the period 2018 to 2020.

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