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The Effect of Return On Assets (ROA), Return On Equity (ROE), and Earning Per Share (EPS) on the Stock Price of PT. Astra Internasional Tbk (Years 2013-2021)

Ahmad Zahir Bayhaqiy^{1*}, Deny Yudiantoro¹, Amalia Nuril Hidayati¹

¹ Sharia Financial Management Study Program, Faculty of Economics and Business, UIN Sayyid Ali Rahmatullah, Tulungagung, Indonesia

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*Corresponding author:

Ahmad Zahir Bayhaqiy

E-mail address:

bayhaqiy@gmail.com

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ABSTRACT

This study aims to analyze the effect of Return On Assets (ROA), Return On Equity (ROE), and Earning Per Share (EPS) on the stock price of PT.Astra Internasional Tbk. The type of research used is causal research, while the data source of this research is secondary data. Researchers used financial data for the period 2013-2021 which was analyzed with SPSS 21.0. The data analysis method used is multiple linear regression analysis and hypothesis testing using t test, f test and coefficient of determination. The results of this study are partially ROA and EPS have no significant effect on stock prices, but simultaneously ROA, ROE, and EPS have a significant effect on stock prices. ROA, ROE, and EPS are ratios that show the company's ability to generate profits, which is one way to know the company's performance.

1. Introduction

The development of the industry from year to year must increase and decrease dynamically, especially in automotive companies whose production includes cars or various other motor vehicles and spare parts. All these sectors are owned by PT. Astra Internasional Tbk this company has products that almost dominate the *market share* in Indonesia and dominate the national automotive sales volume by controlling a *market share* 51 percent. And PT. Astra Internasional Tbk, including *blue-chip* stocks, blue-chip stocks have the potential to continue to increase because they have good fundamentals (Deasy, 2010; Denies & Prabandaru, 2012).

Companies can obtain sources of funds from inside

or outside the company. The source of funds obtained from within the company is retained earnings, while the source of funds from outside the company is from investors or creditors. As a means to increase capital, companies can choose the capital market. A capital market is a place where parties who have excess funds meet with those who need funds by trading long-term financial assets or long-term *financial assets* in order to obtain capital. Capital market instruments are in the form of securities (securities), one of which is shares (Fama & French, 2018; Gamalasari, 2012).

The stock price is a reflection of the condition of a company, so the company's management is required to increase the value of the company, which is reflected in the increase in the company's stock price (Atmajaya,



2008). Financial ratios are widely used by investors as the basis for making investment decisions. As a measure of profitability, this study uses Return On Assets (ROA), Return On Equity (ROE), and Earning Per Share (EPS).

2. Literature Review

Return On Assets (ROA)

Return On Assets (ROA) is a comparison between

$$\text{Return On Assets} = \frac{\text{net profit after tax}}{\text{total assets}} \times 100 \%$$

Return On Equity (ROE)

Return On Equity (ROE) is a ratio to measure net income after tax with own capital. This ratio shows the efficiency of the use of own capital. The higher this ratio, the better the company. This means the position

$$\text{Return On Equity} = \frac{\text{net profit after tax}}{\text{total equity}} \times 100\%$$

Earning Per Share (EPS)

Earning Per Share (EPS) is a ratio to measure the success of management in obtaining profits for shareholders. A low ratio means that management has not succeeded in satisfying shareholders. On the

$$\text{Earning Per Share} = \frac{\text{total income for the year}}{\text{number of outstanding stock}}$$

Profit for stockholders' shares is the amount of profit after tax. The benefits available to common stockholders are the number of profits minus taxes, dividends, and other rights for priority shareholders. EPS can also experience ups and downs. Here are several factors that affect the decline in EPS: 1) Fixed net income and an increasing number of outstanding stock, 2) Net income decreased and the number of outstanding stock remained constant, 3) Net income decreases and the number of outstanding stock increases, 4) The percentage decrease in net income is

the total net income after deducting taxes with the total assets themselves. Analysis *Return on Assets* measures the company's ability to generate profits by using the total assets owned by the company after adjusting for the costs to fund these assets. *Return On Assets (ROA)* can be calculated by the following formula (Hanafi et al., 1996; Kasmir, 2008; Lindenberg et al., 2018; Sunaryo, 2021; Sari, 2020):

of the owner of the company is getting stronger, and vice versa. The formula for calculating Return On Equity (ROE) is as follows (Hanafi et al., 1996; Kasmir, 2008; Lindenberg et al., 2018; Sunaryo, 2021; Sari, 2020):

contrary, with a high ratio, the welfare of shareholders increases. In other words, a high rate of return. To calculate Earning Per Share (EPS) as follows (Hanafi et al., 1996; Kasmir, 2008; Lindenberg et al., 2018; Sunaryo, 2021; Sari, 2020):

greater than the percentage decrease in the number of ordinary outstanding stock, and 5) The percentage increase in the number of ordinary outstanding stock is greater than the percentage increase in net income.

Stock Price

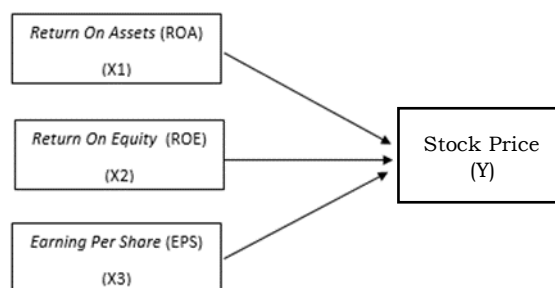
The stock price is a reflection of the condition of a company, so company management is required to increase the value of the company, which is reflected in the increase in the company's stock price. There are several conditions and situations that cause stock



prices to rising and fall (fluctuations). Internal factors that affect stock prices are (Hanafi et al., 1996; Kasmir, 2008; Lindenberg et al., 2018; Sunaryo, 2021; Sari, 2020): 1) All of the company's financial assets, including shares and cash flow income. 2) When cash flow occurs means the receipt of money or profit to be reinvested for additional profit. 3) Acceptable risk cash

flow level.

The external factors that can affect stock prices are (Irnawati, 2021; Kuswanto, 2010; Lee & Ryu, 2013; Nofrita, 2013; Pakpahan, 2010): 1) Legal limits, 2) The general level of economic activity, 3) Tax laws, 4) Level interest rates, 5) Stock market conditions.



Hypothesis

- H1: ROA has a positive and significant effect on the stock price of PT.Astra Internasional Tbk
- H2: ROE has a positive and significant effect on the stock price of PT.Astra Internasional Tbk
- H3: EPS has a positive and significant effect on the stock price of PT.Astra Internasional Tbk
- H4: ROA, ROE, and EPS simultaneously have a positive and significant effect on the shares of PT. Astra Internasional Tbk

3. Methods

The approach used is a quantitative approach. This type of research uses causal research, namely, to determine the causal relationship through the influence of the emergence between the independent variable and the dependent variable. The population

and the sample are all variable data on the IDX for the period 2013-2021. Sources of data from secondary data and data collection techniques using documentation techniques by collecting data, evidence, and information. The method of data analysis used is multiple regression analysis, hypothesis testing, and coefficient of determination.

4. Results and Discussion

Multiple linear regression analysis

Multiple linear regression analysis was used to determine the direction of the relationship between the independent variable and the dependent variable. Analysis of the data used is using the SPSS 21 program. The test results from the regression equation can be explained as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

$$\text{Stock price} = 8.652 - 0.938 + 1.146 - 0.153$$

The constant value (a) = 8.652. If ROA, ROE, and EPS are assumed to be constant, then the dependent variable is the stock price will increase by 8.652. The

ROA regression coefficient (X1) is -0.938 with a negative value, meaning that every 1% increase in ROA, assuming other variables remain, will cause the



value of the stock price to decrease by 93.8%. The ROE regression coefficient (X2) is 1.146 with a positive value, which means that every 1% increase in ROE, assuming other variables remain, will cause the stock price to increase by 114.6%. EPS regression coefficient (X3) is -0.153 with a negative value, which means that every 1% increase in EPS assuming other variables remain, will cause the stock price to decrease by 15.3%.

T-test (Partial)

A T-test was conducted to determine whether the independent variable partially has a significant effect or not on the dependent variable. The results of the partial test (t-test) in the table above can be concluded that: a) The ROA variable (X1) is known that the probability value (*sig*) is $0.327 > 0.05$ and the t value $-1,000 < t$ table 1.316, so it can be concluded that H1 is rejected, which means that there is no effect of X1 on stock prices (Y). From the results of the study, ROA did not have a significant effect. The insignificant ROA on stock prices shows that investors do not pay attention to ROA in their investment decisions. A negative ROA indicates that the total assets used are not profitable for the company. b) The ROE variable (X2) is known that the probability value (*sig*) is $0.158 > 0.05$ and the t count is $1.455 > t$ table 1.316, so it can be concluded that H2 is accepted, which means there is an effect of X2 on stock prices (Y). From the results of the study, ROE has a significant effect on stock prices. The high ROE is due to the stability of net profit from the company's own capital and the increase in operating profit. The greater the ROE, the greater the level of profit achieved by the company, so the possibility of the company being in a problematic condition is getting smaller. c) The EPS variable (X3) is known that the probability value (*sig*) is $0.449 > 0.05$, and the t value is $-0.769 < t$ table 1.316, so it can be concluded that H3 is rejected, which means that there is no effect of X3 on stock prices (Y). From the results of the study, the EPS leads to a negative, which means it has no significant effect. EPS can change as the total

number of shares of a company in the market increases or decreases. If more shares are available, but the company's earnings remain the same, then the EPS is getting smaller. EPS is considered the most basic and easy information to know and describes the company's future projects. However, EPS can be misleading information if it is not linked to the study and analysis of the income statement.

F test (simultaneous)

The F test shows whether all the independent variables included in the model have a joint effect on the dependent variable. Simultaneously the decision to have a significant effect on variables or not can be seen from the significant value in the ANOVA table. Simultaneous test results (f-test based on the table above can be concluded that: The significance value for the effect of X1, X2, and X3 simultaneously on Y is 0.50, and the calculated F value is $2.973 > F$ table 2.73, so it can be concluded that ROA (X1), ROE (X2), and EPS (X3) have a significant effect on stock prices (Y).

Coefficient of determination

The coefficient of determination is an indicator used to describe how much variation is described in the model. Based on the value of the coefficient of determination, it can be seen the level of significance of the relationship between the independent variable and the dependent variable in linear regression. The value of the coefficient of determination is between 0 to 1. If the coefficient of determination is close to 1, it can be said to have a significant effect. Based on the results of data analysis, it is found that the correlation coefficient (*Adjusted R Squared Variables independent variable dependent*) 0.822 (82.2%), while the remaining 17.8% is influenced by other factors outside the *independent* research. The correlation coefficient is positive, which means that the correlation between ROA, ROE, and EPS variables with stock prices is unidirectional.



5. Conclusion

Based on the data analysis and research results, The partially ROA and EPS have no significant effect on stock prices, but simultaneously ROA, ROE, and EPS have a significant effect on stock prices. ROA, ROE, and EPS are ratios that show the company's ability to generate profits, which is one way to know the company's performance.

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