

FACTORS AFFECTING EPS ON NON-CYCLICALS CONSUMER SECTOR COMPANIES LISTED ON THE IDX

Veronica Herman^{1*} Sufiyati Sufiyati¹

¹Faculty of Economics & Business, Universitas Tarumanagara, Jakarta - Indonesia

*Email: sufiyati@fe.untar.ac.id

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ABSTRACT

The purpose of this study was to analyze the effect of Debt to Equity Ratio (DER), Return On Equity (ROE), Current Ratio, Firm Size and Total Assets Turnover (TATO) on Earning Per Share (EPS). The research sample consists of 93 non-cyclical consumer sector company data that have been listed on the Indonesia Stock Exchange for the 2018-2020 period. Data processing in this study used the EViews version 12 program with a purposive sampling technique. The results of this study prove that ROE and Firm Size have a positive and significant effect on EPS while DER, Current Ratio, and TATO have an insignificant effect on EPS.

Keywords: *Debt to Equity Ratio (DER), Return on Equity (ROE), Current Ratio, Firm Size, Total Assets Turnover (TATO), Earning Per Share (EPS)*

1. INTRODUCTION

The current economic conditions in Indonesia have the impact of increasingly fierce competition for all business actors. Therefore, every company is required to be able to adapt to the current situation. One of them is required to generate maximum profits and develop effective corporate management strategies in order to be able to compete and carry out business activities and maintain the going concern of the company.

The company can be said to be a productive unit that manages economic resources to provide goods and services to the community in order to make a profit. The main purpose of the established company is to make a profit. Profits obtained by a company is a reflection of the success of a company. The greater the profits obtained by the company, the greater the possibility of the company to be able to grow and develop, and can provide benefits to company owners and investors.

Investors need a good indicator in making decisions to invest. Earnings Per Share can be regarded as one of the indicators used as consideration for investors in making investments. Earnings per share in the company's financial statements will be of concern to investors because earning per share will be taken into account by investors to invest their funds in shares. Earnings per share can show the amount of earnings per share of a company and become a reference for investors to make decisions in investing in shares.

EPS shows the amount of profit that is the right of the shareholders. EPS can be used as a benchmark for investors to invest in the form of shares in the company. Every company is increasingly competing to improve the company's performance and profits because this has an impact on increasing EPS to be able to attract investors, both investors who have invested in the

company and potential investors. There are many factors that can affect EPS, such as DER, ROE, Current Ratio, Firm Size and TATO. Based on the description above, the purpose of this research is to determine the effect of DER, ROE, Current Ratio, Firm Size, and TATO on EPS.

2. THEORETICAL REVIEW

Signaling Theory

According to Ulum (2017) The Signal Theory places a strong emphasis on the significance of information released by businesses on the investment choices of parties outside the business. Since information fundamentally gives information, notes, or descriptions for both past, present, and future conditions for the survival of a company, information is a crucial component for investors and businesspeople. To make investment decisions, investors in the capital market need complete, relevant, precise and accurate information [1].

Earnings Per Share (EPS)

According to Fahmi (2018) EPS is a form of profit given to each share owned by the shareholders. EPS shows the comparison between return on capital and EPS [2]. According to Kasmir (2018) EPS is used to measure the company's success in achieving profits. Finding out the rupiah earned for each share generated is another factor to take into account while investing in the stock market [6].

Debt to Equity Ratio (DER)

Hery (2016) explained the Debt to Equity Ratio is used to measure the comparison between the total debt and the company's total equity. This ratio describes the ability of a company to repay debt using existing capital/equity [3]. According to Kasmir (2018) Debt to Equity Ratio is the ratio used to assess debt to equity. This ratio is important for financial managers in planning company profits related to determining alternative sources of funds for increasing the company's business capital in line with the growth of the company budgeted for the coming year [6].

H₁ : The effect of DER on EPS is significant negative.

Return On Equity

According to Hery (2016) Return On Equity is a ratio used to measure how much net profit is generated from each rupiah of funds embedded in total equity. [3]. According to Sudana (2015) ROE is used to measure a company's ability to generate profit by using its capital [4].

H₂ : The effect of ROE on EPS is significant positive.

Current Ratio

According to Sudana (2015) Current Ratio is the ratio used to measure the company's ability to pay off current liabilities using current assets [4]. Kasmir (2018) explains that Current Ratio is used to measure a company's ability to pay short-term debt. [6].

H₃ : The effect of current ratio on EPS is significant positive.

Firm Size

According to Dewinta and Setiawan (2016) Firm Size is a scale that can be used to classify companies into large and small companies with total company assets owned [5].

H₄ : The effect of firm size on EPS is significant positive.

Total Assets Turnover (TATO)

Kasmir (2018) explained Total Asset Turnover (TATO) is a ratio to assess the turnover of all company assets and assess the amount of income generated from company assets. [6].

H₅ : The effect of TATO on EPS is significant negative.

3. METHODS

This study uses a descriptive research design. According to Sekaran and Bougie (2016) Descriptive research is research that aims to describe the characteristics of an object, event or situation from the data that has been collected. This study uses secondary data, which uses data on the financial statements of non-cyclicals consumer sector companies [7]. Panel data was used in this study and purposive sampling method was used in sample selection. The number of non-cyclicals consumer sector companies used as research samples were 31 companies for 3 years from 2018-2020, so the total research data for 3 years was 93 data. Data processing in this study used the Eviews version 12 software program, with the following analytical techniques; Descriptive Statistics, Regression Model, Multicollinearity Test, Heteroscedasticity Test, F Test, t Test, and Adjusted R Square. To make it easier to understand, measure and obtain source data, it is necessary to carry out operational definitions of the variables used in this study.

Earnings Per Share is the dependent variable of this research, measured according to research conducted by Shenjaya, et al. (2021), by using the following formula [12] :

$$\text{EPS} = \frac{\text{Net Income}}{\text{Number of shares outstanding}}$$

Debt to Equity Ratio (DER), Return On Equity (ROE), Current Ratio, Firm Size, and Total Asset Turnover (TATO) is the independent variable of this research. DER is measured using the following formula Umam, et al. (2019) [9]:

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Return on Equity is measured using the following formula Shenjaya, et al. (2021) [12] :

$$\text{ROE} = \frac{\text{Net Income}}{\text{Total Equity}}$$

Current Ratio is measured using the following formula Umam, et al. (2019) [9]:

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Firm Size is is measured using the following formula Umam, et al. (2019) [9]:

$$\text{Firm Size} = \text{Ln}(\text{Total Asset})$$

Total Asset Turnover is measured using the following formula Cahyani and Wahyuati (2018) [14]:

$$TATO = \frac{\text{Sales}}{\text{Total Assets}}$$

Models as follows:

$Y = \alpha + \beta_1 DER + \beta_2 ROE + \beta_3 CR + \beta_4 FS + \beta_5 TATO + \epsilon$ Where, Y is a dependent variable (Earning Per Share); α is a constant; $\beta_1 - \beta_6$ is an independent variable regression coefficient; ϵ is an error term.

4. RESULTS

Descriptive Statistics Test

According to Ibrahim, et al. (2018) A descriptive statistics test is one that is used to present statistics from descriptive data and give a generalized overview or description of the object under study. It can be used with population or sample data that has not undergone any analysis [15].

Table 1. Descriptive Statistics Test

	EPS	DER	ROE	CR	FS	TATO
Mean	152.4303	0.935473	0.124667	2.568065	15.63015	1.269269
Median	89.00000	0.641000	0.118000	1.955000	15.47500	1.103000
Maximum	747.4000	3.589000	0.385000	8.050000	18.91000	3.105000
Minimum	1.230000	0.164000	0.001000	0.650000	13.52400	0.277000
Std. Dev.	169.9145	0.789666	0.076323	1.665126	1.418752	0.726508

Table 1 above shows the results of descriptive statistical tests. Earnings Per Share has a mean value of 152.4303, a maximum (max) value of 747.4 and a minimum (min) value of 1.23. DER has a mean of 0.935473, a max value of 3,589 and a min value of 0.164. ROE has a mean value of 0.124667, a max value of 0.385 and a min value of 0.001. Current Ratio has a mean value of 2.568065, max value of 8.05 and a min value of 0.65. Firm Size has e mean value of 15.63015, a max value of 18.91 and a min value of 13.524. TATO has e mean value of 1.269269, a max value of 3.105000 and a min value of 0.277000.

Multicollinearity Test

According to Ghazali and Ratmono (2017) to see whether there is a correlation between the independent variables in a regression model, a multicollinearity test is performed. In this study,

the multicollinearity test was carried out by making a correlation matrix between the independent variables to be able to see the correlation coefficient between the independent variables. The regression model is said to be good if it is free from the problem of multicollinearity [8].

Table 2. Multicollinearity Test

	DER	ROE	CR	FS	TATO
DER	1.000000	-0.087338	-0.594837	0.179659	0.290798
ROE	-0.087338	1.000000	0.278137	0.156905	0.269707
CR	-0.594837	0.278137	1.000000	-0.227968	-0.162563
FS	0.179659	0.156905	-0.227968	1.000000	-0.034907
TATO	0.290798	0.269707	-0.162563	-0.034907	1.000000

Based on the results of the calculation of the multicollinearity test above, it shows that there is no correlation because all values are < 0.85 . So, it can be concluded that the regression model is feasible to use and there is no multicollinearity in the regression model of this study.

Heteroscedasticity Test

Heteroscedasticity test to test whether in the regression model there is an unequal variance from the residuals from one observation to the other.

Table 3. Heteroscedasticity Test

F-statistic	3.403923	Prob. F (1.90)	0.0683
Obs*R-squared	3.352760	Prob.Chi-Square (1)	0.0671

Heteroscedasticity test was performed using the ARCH test. It can be seen from table 3 above, the results of the Heteroscedasticity Test, the probability value is 0.0671, which means there is no heteroscedasticity problem in the data

Chow Test

Table 4. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross- section F	10.839773	(30.57)	0.0000
Cross-section Chi-square	176.967373	30	0.0000

Based on Table 4, the probability value of the Chi-square cross section is 0.0000, which means H_0 is rejected and the model chosen is the Fixed Effect Model.

Hausman Test

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistics	Chi-Sq. d.f.	Prob.
Cross-section Random	11.951254	5	0.0355

Based on Table 5, a random cross-section value of 0.0355 was obtained, which means the best model used in this study is the Fixed Effect Model.

F-Test

Simultaneous testing is done by looking at the probability value of the F-statistic in the regression model used.

Table 6. F-Test

F-statistics	14.87808
Prob(F-statistics)	0.000000

Based on the table above, the F-statistics probability value is 0.000000, where the value is smaller than 0.05 ($0.000000 < 0.05$). Through the F-statistics probability value, it can be concluded that DER, ROE, Current Ratio, Firm Size and TATO simultaneously or together have a significant effect on EPS.

t-Test

This t test is used to test the effect of each independent variable on the dependent variable [8].

Table 7. t-Test

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	-2,201.624	1,109.368	-1.984575	0.0520
DER	-29.5642	50.20401	-0.588881	0.5583
ROE	1,293.494	224.9089	5.751190	0.0000
CR	0.674354	14.73329	0.045771	0.9637
FS	145.7547	69.62442	2.093442	0.0408
TATO	-46.8332	58.09249	-0.806183	0.4235

Based on Table 7 above, ROE and Firm have a significant positive effect on EPS. Meanwhile, DER, Current Ratio and TATO have no significant effect on EPS.

Adjusted R Square

To measure the influence of the independent variables in explaining the dependent variable, a coefficient of determination test was carried out. The coefficient of determination test is carried

out by looking at the value of Adjusted R2 or Adjusted R-squared in the panel data regression model used [8].

Table 8. Adjusted R Square

R-squared	0.901338
Adjusted R-squared	0.840757

Based on Table 8 above, it can be seen that the Adjusted R-squared value is 0.840757. This value means that the DER, ROE, Current Ratio, Firm Size and TATO are able to explain or affect EPS by 0.840757 or 84.07%, while the remaining 15.93% is explained or influenced by other variables not tested in this study. this research.

5. DISCUSSION

The Effect of Debt to Equity Ratio on Earnings Per Share

The results of this research, the DER has no significant effect on EPS. DER shows the amount of company financing that comes from debt. The greater the DER indicates that the capital structure derived from debt is greater to fund existing equity. Large corporate debt only has an impact on the risk of the company's inability to pay debts, so this has no effect on changes in EPS. The results of this study are consistent with Umam, Wijayanto, and Kodir (2019) [9]. Then the results of this study are also supported by research from Dewi and Buchory (2019) which shows the Debt to Equity Ratio does not have a significant effect on Earning Per Share [10]. But the results of this study contradict research from Karina and Ramadhan (2019) which shows DER has a positive and significant effect on EPS [11]. And then, the results of this study contradict signal theory because of DER can not give a signal to investors in knowing the size or the small Earning Per Share obtained from company profits [1].

The Effect of Return on Equity on Earnings Per Share

The results of this study, the influence of ROE on EPS is positive, when ROE increases it will cause EPS to increase as well. When a company uses its own capital appropriately, the better the company's performance in generating net income after deducting taxes so that EPS will increase as well. The results are in accordance with the signal theory because an increased Return on Equity will give a signal to investors in knowing the size of the Earning Per Share obtained from the company's profits [1]. This research is also supported by research from Shenjaya, Haryanty, Tan, Valco, Panggabean (2021) [12]. However, the results of this study contradict the research of Jannah and Rahayu (2019) which shows that ROE does not have a significant effect on EPS [13].

The Effect of Current Ratio on Earnings Per Share

The results of this study, the Current Ratio has no significant effect on EPS. Current Ratio is used to measure the level of liquidity of a company. Liquidity shows the value of current assets that can cover current liabilities. Current Ratio only shows how much the company's current assets and current liabilities are, so it has no effect on EPS. The results of this research are supported by research from Umam, Wijayanto and Kodir (2019) [9]. Then the results of this study are also

supported by research from Shenjaya, Haryanty, Tan, Valco, Panggabean (2021) which shows the Current Ratio does not have a significant effect on EPS [12]. But the results of this study contradict the research of Cahyani and Wahyuati (2018) which shows the Current Ratio has a positive and significant effect on EPS [14]. And then, the results of this research are contrary to signal theory because the Current Ratio cannot provide a signal to investors in knowing the size of the EPS obtained from company profits [1].

The Effect of Firm Size on Earnings Per Share

The results of this study, the influence of Firm Size on EPS is positive, ie when Firm Size increases it will cause EPS to increase as well. The results of this study indicate that Firm size has a positive and significant effect on EPS. Usually large companies have an advantage that is better known to the public compared to smaller companies. Firm Size also affects the amount of assets and debts owned by the company so that it is related to profits which will ultimately affect EPS. When a company has a large company asset value and small debt, this means that the company can use its assets optimally so that the profits generated by the company will increase, so EPS will increase. The results of this research are in accordance with the signal theory because an increasing Firm Size will give a signal to investors in knowing the size of EPS obtained from the company's profits [1]. This research is also supported by research from Dewi and Buchory (2019) and research from Karina and Ramadhan (2019) which states that large companies that have Well-Established will find it easier to obtain capital in the capital market compared to small companies [10] [11].

The Effect of Total Asset Turnover on Earnings Per Share

Based on the results of this study, TATO has no significant effect on Earning Per Share. Total Asset Turnover is used to measure how effectively a company uses assets to generate sales from each asset it owns. The results of this study indicate that TATO does not have a significant influence in determining EPS. This is because TATO only compares the level of sales to total assets but does not affect the net profit generated by the company so it does not affect EPS. The results of this research are supported by research from Karina and Ramadhan (2019) which states that TATO has no effect and is not significant on EPS [11]. But the results of this study contradict research from Cahyani and Wahyuati (2018) which shows TATO has a positive and significant effect on EPS [14]. And then, the results of this study are contrary to signal theory because the TATO cannot provide a signal to investors in knowing the size of the EPS obtained from company profits [1].

6. CONCLUSION

This research was conducted to determine the effect of Debt to Equity Ratio (DER), Return On Equity (ROE), Current Ratio, Firm Size, and Total Assets Turnover (TATO) on Earning Per Share (EPS). The population in this study are non-cyclicals consumer sector companies that have been listed on the Indonesia Stock Exchange (IDX) in the 2018-2020 period. This study uses secondary data, which uses data on the financial statements of non-cyclicals consumer sector companies. Data processing in this study used the EViews version 12 program with a purposive sampling technique, namely only companies that meet the requirements that can be sampled in this study. The sample criteria used as research data are 93 data. Data processing using Eviews version 12

software. Based on the discussion that has been described above, the conclusions obtained from the research that has been carried out are as follows : (1) The effect of DER on EPS is negative and not significant. (2) The effect of ROE on EPS is significant positive. (3) The effect of the Current Ratio on EPS is positive and not significant. (4) The effect of Firm Size on EPS is significant positive. (5) The effect of TATO on EPS is not significant. For implications in this study, refer to the benefits of research, namely practical benefits and theoretical benefits. Practically, this research can be used as input for non-cyclicals consumer sector companies to be able to determine the effect of Debt to Equity Ratio, Return on Equity, Current Ratio, Firm Size and Total Asset Turnover on Earning Per Share, so that non-cyclical consumer sector companies cyclicals can pay attention to good or bad decisions in financial management and can be used as material for evaluating company performance. Then this research can also be used as consideration for making investment decisions and additional information in determining investment policies, and can attract investors' interest in investing in the form of shares in non-cyclicals consumer sector companies. Theoretically, the results of this study are expected to be used as a reference for further researchers who can provide comparisons in conducting further research. This research is still very far from being perfect and has limitations that still need to be improved in subsequent studies. The limitations in this study can be in the form of : (a) The population used in this study is only consumer non-cyclicals sector companies that have been registered on the IDX (Indonesian Stock Exchange) and does not include other types of companies so that the results in this study are not appropriate when applied to other types of companies outside the consumer non-cyclicals sector companies. (b) The sample period used in this study is only 3 years, namely 2018-2020, so the results of this study cannot describe the situation in the long term.

Suggestions for further research are: (a) expanding the object of research, which can be in the form of all corporate sectors. (b) The next research is expected to be able to extend the number of years so that it can increase the amount of data and samples so that the results obtained are more accurate.

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