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FACTORS AFFECTING EARNING PER SHARE PERIOD 2013-2020 (CASE STUDY ON THE CONSUMPTION GOODS INDUSTRY PHARMACEUTICAL SUB SECTOR)

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Abstract

The purpose of this study is to describe the effect of Current Ratio, Debt to equity ratio and Return on equity. Receiveble Turnover (RECT), and Inventory Turnover (INVT) on Earning Per Share (EPS) partially and simultaneously in pharmaceutical companies that go public. The type of research used is associative research. Sources of data used in this study is secondary data. Secondary data in this study are financial statements of 3 sample companies selected in this study, namely At Kimia Farma (Persero) Tbk, Indofarma (Persero) in the period 2013 – 2020. In this study, a purposive sampling technique was used where the sample is taken based on clear criteria reasons. The data analysis technique used in this research is descriptive analysis (descriptive statistics), unit root test, simple linear regression, and multiple linear regression. The results of this study stated that the Current Ratio, Debt to equity ratio and Return on equity. Receivable Turnover (RECT), and Inventory Turnover (INVT) to Earning Per Share (EPS) have a significant effect simultaneously and partially on Earning Per Share (EPS).

Keywords: ***Debt to equity ratio, return on equity, receiveble Turnover, inventory Turnover earning Per Share***

1. INTRODUCTION

The ever-changing economic turmoil has affected the company's performance, therefore, companies must utilize the available resources as efficiently and effectively as possible so that these resources are more useful; In addition, the company can maintain or improve the company's performance

In general, according to the IPMG (International Pharmaceutical Manufacturing Group) agency in 2015 it was stated that pharmaceutical companies are businesses that have a broad market level. More than 11.8% growth in 2015, equivalent to 4.6 billion dollars equivalent to IDR 56 trillion compared to the previous year. In 2016, the increase in product sales increased from Rp. 62 trillion to Rp. 72 trillion, an increase of Ro. 10 trillion. This is a big advantage for pharmaceutical companies, with a good and targeted sales strategy, able to increase profits to date (Azmi, Nurul.et., all., 2018)

Likewise with pharmaceutical companies in Indonesia. The development of world pharmaceutical companies also has an impact on companies in Indonesia. The need for drugs continues to increase, along with the increasing population in Indonesia, which currently reaches around 260 million people. Advances in drug technology in Indonesia can meet domestic market demand. Indonesian people do not need to go abroad to look for certain drugs. Costs can be reduced and time is shorter.

Pharmaceutical companies are companies that have a large market share in Indonesia. The average drug sales at the national level always grows 12%-13% annually and more than 70% of the total drug market in Indonesia is controlled by national companies.

For investors in the capital market, information is very important in making investment decisions. The most readily available information to investors in the Indonesian capital market is reports. In the capital market, Earning Per Share (EPS) shows the amount of profit that is the right of each shareholder (Dwi Prastowo and Rifka Juliaty, 2008: 99). If the Earning Per Share (EPS) of a

company has increased, this means that the company's profits have increased which also means an increase in wealth for shareholders. Earning Per Share (EPS) can be used as an indicator of whether a company is able to increase its profits (Siddiq, R. M., et., all., 2020) The greater the Earning Per Share (EPS) in a constant number of shares, the greater the profit after tax generated by the company. A pharmaceutical company is a commercial business company that focuses on research, development, and distribution of drugs, especially in healthcare.

From the formulation of the problem above, the objectives of this research are:

1. To find out whether there is a partial effect of Debt to Equity Ratio (DER) on Earning Per Share (EPS) in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2020
2. To find out whether there is an effect of Return on Equity (ROE) on Earning Per Share (EPS) partially in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2020
3. To find out whether there is a partial effect of the Current Ratio (CR) on Earning Per Share (EPS) in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2020
4. To find out whether there is an effect of Receivable Turnover (RECT) on Earning Per Share (EPS) partially in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2020
5. To find out whether there is a partial effect of Inventory Turnover (INVT) on Earning Per Share (EPS) in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2020
6. To find out whether there is an effect of Debt to Equity Ratio (DER), Return on Equity (ROE), Current Ratio (CR), Receivable Turnover (RECT), and Inventory Turnover (INVT) on Earning Per Share (EPS) simultaneously listed on the Indonesia Stock Exchange (IDX) period 2013 – 2020

2. LITERATUR REVIEW

2.1Earnings Per Share (EPS)

Earnings Each share (EPS) is one of the most urgent financial ratios to use to consider stock prices and company value in general. While the earnings per share to see the profits obtained from each share. It can be said that the amount of money received on each share at the end of the year. Large companies are able to provide large profits to shareholders because profits continue to increase.

EPS can be said as a calculation that shows a company from the perspective of shareholders. Therefore, earnings per share of large companies can be compared with earnings per share of small companies.

Earning per share (EPS) shows the company's ability to earn profits and distribute the profits earned by the company to shareholders. (Bratamanggala, 2018)

Earning Per Share (EPS) is the first important component that must be considered in the company's analysis. Earning per Share (EPS) can be regarded as an important analysis in the company's financial statements

The results of work and the future of the company can be affected by earnings per share. If the value of EPS goes up, then there is a possibility that the company can afford to pay more profits and bonuses. If shareholders get a big bonus, they will be able to attract other funds that want to enter the company to invest. On the other hand, if EPS is low, investors will sell the shares

2.2 **Total Debt to Equity Ratio**

If the high DER describes the use of foreign capital is high when compared to the use of equity capital, but in the distribution of profit after tax, the owner gets a high share. Conversely, if the DER

is low, the use of foreign capital is low, and the use of equity capital is high, which results in the owner getting a low profit share or low Earning per Share.

DER (debt to equity ratio)

DER (debt to equity ratio) is the ratio of debt to equity. DER stands for Debt to Equity ratio can be seen by comparing the amount of debt with the company's equity. The balance between equity and the amount of debt must be balanced, to measure a company's investment leverage ratio is used. Leverage ratio is the ratio of debt to equity.

Debt to equity ratio is the main financial ratio in a company. This is because the Debt to Equity Ratio is used to measure the financial position of a company. Interest is a consideration for increasing the increase for shareholders. The rightful owner can enjoy profits if the company's debt is low and in a situation where interest does not rise. The maturity of debt also gets serious attention from company managers. The company's ability to pay is a benchmark for the company's strength to return profits to the owners of capital.

2.3 **Current Ratio**

The current ratio is calculated by dividing current assets by the payment of liabilities, this ratio shows the extent to which liabilities are paid by assets that are expected to be able to become debts that must be paid in the near future. The greater the company's ability to pay, the greater the risk to pay. Judging from the operational or productivity use of funds, a high CR ratio illustrates that the use of money is not optimal, there are funds that are idle (idle). This can affect the interest of investors to invest in the company, if the ratio is high then there are idle funds resulting in low Earning per Share. Conversely, if the CR is low, it describes the optimal use of funds so that company profits increase and Earnings per Share is high.

2.4 **Rate of Return on Equity {Return on Equity (ROE)}**

Return on equity measures the company's ability to provide shareholders and as dividends in the net gain on equity rights. When the company has a good enough capability to restore the pretense, then the investment will be entrusted to the company, and it indirectly influences people to invest so that the stock price rises.

2.5 **Receivable Turnover**

Activity turnover is the ratio used in order to measure the time used to collect receivables at a certain time. This turnover has added value if it is managed properly, and vice versa, if it cannot be managed properly it will be dangerous. The receivables are tied up from the time the receivables are incurred until the receivables can be collected in the form of cash and finally can be bought back into inventory and sold on credit into receivables again. The receivables turnover rate can be determined (Azmi.et., all., 2018)

2.6 **Inventory Turnover**

Inventory turnover or commonly called stock turn has the meaning as inventory turnover. Turnover in question is how quickly or often inventory can be sold and available again for sale in one selling period. Inventory turnover is used to measure how quickly a company is able to sell inventory within a certain period and compare it to the industry average. A low inventory turnover ratio indicates low sales and allows for excess inventory (Siddiq, R. M.,ett., all., 2020). Conversely, if the ratio is high, it indicates that there is a high level of sales. On the other hand, the inventory turnover ratio also helps the bank to find out how smooth the company's assets are. For example, when a company makes a loan to a bank. They want to know whether the product to be sold has high liquidity so that the company is able to pay its debts at the specified time. The inventory turnover ratio also helps companies streamline expenses to produce or purchase inventory. Stored goods also cost money. If stored for too long, the company's cost burden will also increase. On the other hand, at a certain time, if the inventory turnover is too high, it will also harm the company

Inventory Turnover Ratio = COGS (Cost of Goods Sold) / Average Inventory

The average value of inventory items can be found by dividing the inventory at the beginning of the period plus the change in inventory at the end of the period

3. IMPLEMENTATION METHOD

This research used the eviuws Program for describe the economic factor (Winarno, Wing Wahyu, 2015). The purpose of this study is to describe and analyze stock prices of pharmaceutical companies listed on the Stock Exchange from 2013 to 2017, this type of research is a quantitative study that examines the effect of REC, CR, ROE, DE, accounts receivable turnover and inventory turnover on earnings per share of PT. pharmaceuticals that registered at stock exchange of Indonesia. The number of PT is 10 companies. This type of research includes assiatif research looking for a relationship between 2 or more variables. The form of the relationship between variables as follows:
Causal relationship is the relationship between two or more variables that are influencing between one variable (the independent variable) to another variable (the dependent variable). In the form of this relationship, it is known with certainty or can be distinguished variables independent (variable that affects) with the dependent variable (variable that is affected), in other words this relationship is defined as a causal relationship, if X then Y. The form of the causal relationship can be seen in the picture below:
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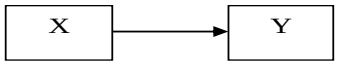

In this study, the form of the relationship used is a causal relationship with the title "The Influence of Debt to Equity Ratio (DER), Return on Equity (ROE), Current Ratio, Receivable Turnover and Inventory Turnover on Earning Per Share (EPS)"
Of the 20 pharmaceutical companies engaged in the manufacturing industry listed on the Indonesia Stock Exchange (IDX), 3 samples of companies selected in this study were Indofarma (Persero), Tbk; Kimia Farma (Persero), Tbk; and Kalbe Farma, Tbk can be seen in the table below:

No	Equity Code	Emitent Name	IPO Date
1	Inaf	Indofarma Tbk	17th April 2001
2	Kaef	Kimia Farma Tbk	4th July 2001
3	Klbf	Kalbe Farma Tbk	30th July 1991

Framework
The framework of thought in this research can be seen in the image below:

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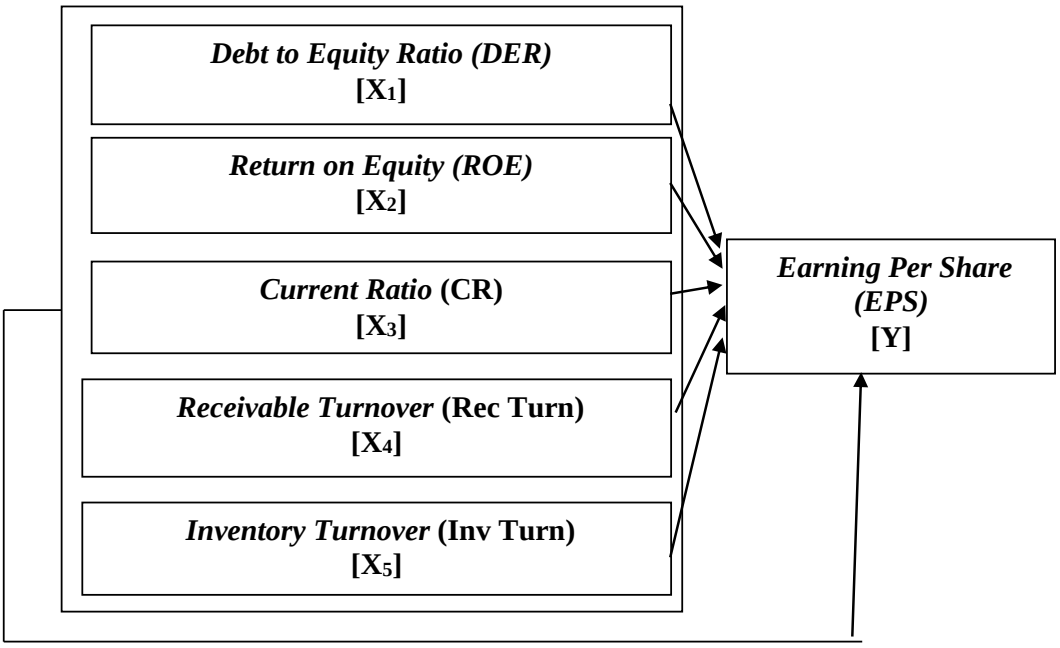


Hypothesis

Based on the background, problem formulation, and research objectives, the hypotheses in this study are as follows:

H1 : There is a partial effect of Debt to Equity Ratio (DER) on Earning Per Share (EPS) in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2020

H2 : There is a partial effect of Return on Equity (ROE) on Earning Per Share (EPS) in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2020

H3 : There is a partial effect of Current Ratio (CR) on Earning Per Share (EPS) in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2020

H4 : There is a partial effect of Inventory Turnover on Earning Per Share (EPS) in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2020

H5: There is an effect of Debt to Equity Ratio (DER), Return on Equity (ROE), Current Ratio (CR), Receivable Turnover (RECT), and Inventory Turnover (INVT) on Earning Per Share (EPS) simultaneously on pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) period 2013 – 2020

4. RESULT AND DISCUSSION

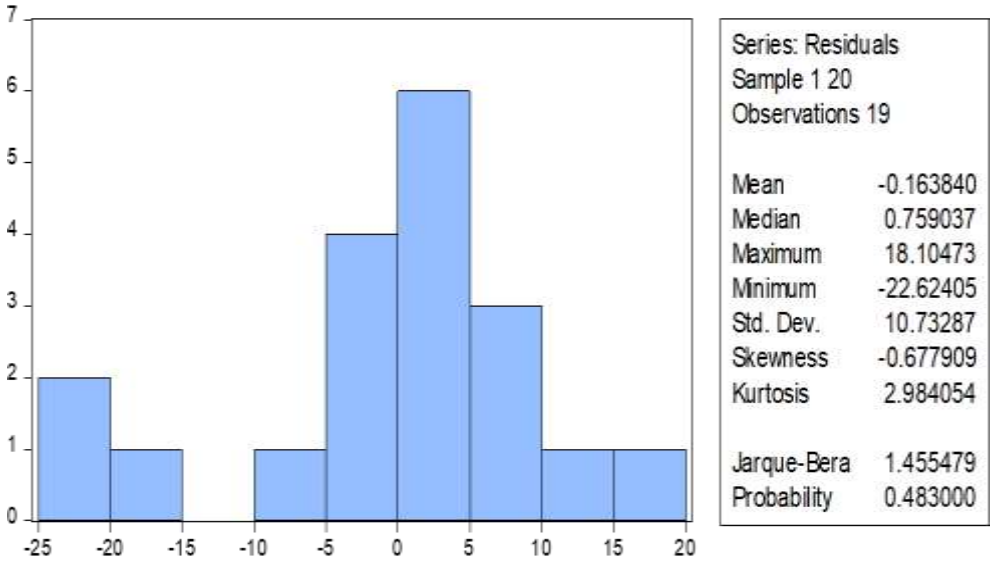
4.7 Classic Assumption Test

A. Normality Test

The data can be further processed, statistical tests are needed which can be seen in table Tests are carried out so that they can be processed further and matters relating to data quality problems, so as to determine correct and accurate conclusions.

Normality test is a test carried out with the aim of assessing the distribution of data in a group of data or variables, whether the distribution of the data is normally distributed or not. Normality test

is done to see if the error term is normally distributed or not. The test was carried out using the Kolmogorov Smirnov test. In this test, if the significance value is greater than the value of = 0.05, then the model does not violate the normality assumption. The test results in this study can be seen in Table 4.6



According to the normality result in Figure 1, the probability result is 0.483000 > from 0.05, which means the data is normally distributed.

Multicolonierity Test :

	DER	CR	ROE	REC	INV
DER	1.000000	-0.731181	-0.615186	-0.106230	0.093237
CR	-0.731181	1.000000	0.611501	0.092733	0.304288
ROE	-0.615186	0.611501	1.000000	0.152458	-0.070283
REC	-0.106230	0.092733	0.152458	1.000000	-0.173721
INV	0.093237	0.304288	-0.070283	-0.173721	1.000000

According to the normality result in Figure 2, correlation coefficient result is more than 0.8 which means the data is not detected multicollinearity problem

Unit Root Test Results

The results of the unit root test are as follows:

Table 4.2 : Unit Roots Test :

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Description	EPS	Debt-Eqt	ROE	CR	INV-TURN	REC TURN
Level	0,3481	0,8567	0,1781	0,1436	0,7383	0,0242
1st Different	0,0029	0,012	0,0009	0,0009	0,0027	0,0002
2nd Different	0,0004	0,0017				

It turns out that from the results of the unit roots test, the average of all stationary variables is at the First Different (1st Different) level

1. Descriptive Analysis Results (Descriptive Statistics)

The following are the results of the descriptive analysis:

Tavle 4.3 : Description Analysis :

	EPS	DEBT_EQT	CR	ROE	REC_TURN	INV_TURN
Mean	26.13684	112.7407	205.5880	8.321000	5.827000	0.051350
Median	42.76000	128.1250	148.4000	7.620000	7.200000	0.048700
Maximum	74.88000	298.1500	450.8800	27.03000	9.330000	0.117100
Minimum	-1.750.000	18.64000	89.77000	-9.180.000	0.000000	0.012300
Std. Dev.	30.90655	78.06278	126.5279	10.78036	3.335673	0.022001
Skewness	-0.060960	0.375693	-1.061578	0.000479	-0.929991	1.029010
Kurtosis	1.360199	2.580775	2.423986	1.814187	2.315185	5.305617
Jarque-Bera	2.140517	0.616942	4.032988	1.171794	3.273753	7.959425
Probability	0.342920	0.734569	0.133121	0.556606	0.194587	0.018691
Sum	496.6000	2254.814	4111.760	166.4200	116.5400	1.027000
Sum Sq. Dev.	17193.87	115782.1	304176.9	2208.108	211.4076	0.009196
Observations	19	20	20	20	20	20

From the table above, it can be seen that the average earnings per share obtained by pharmaceutical companies is Rp. 26.13. The highest profit distribution is Rp. 74.88 and the lowest profit per share is Rp. -17.50. The average debt to equity ratio is 112.74 percent, meaning that debt is greater than equity. The highest debt ratio is 298 percent, while the lowest debt ratio is 18.64 percent. The average

ratio of current assets to current liabilities is 205 percent. While the ratio of current assets to current liabilities is the highest at 450 percent. And at least the ratio of current assets to current debt is 89 percent. The average return on equity is 8.32 percent. Meanwhile, the highest rate of return on equity was 27.03 percent. The average receivables turnover rate is 5.83 times a year or the average receivables return to cash within 60 days. The highest receivables turnover rate is 9.33 times a year or in 38 days receivables are turned into cash. The lowest turnover rate is 000 times a year meaning the receivables are collectible for a year. The average inventory turnover rate of 0.05 times a year means that raw material inventory, work-in-process inventory and finished goods inventory until the goods are sold for a long time. The fastest turnover rate in a year is 0.12 times and the lowest is 0.012 times a year.

From the table above, it can be seen that all variables are normally distributed, except for abnormal inventory turnover because Prob JB is bigger than 0.05, i.e. 0.018681 < 0.05.

Furthermore, if the calculated Prob is greater than an alpha of 0.05 or a Prob of 0.483 is greater than an alpha of 0.05, then the data is normally distributed as follows:

Tabel 4. 4 : Multiple Regression

Dependent Variable: EPS
Method: Least Squares
Date: 05/28/22 Time: 10:05
Sample (adjusted): 2 20
Included observations: 14 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	0.211622	0.104397	2.027093	0.0772
ROE	2.343149	0.308666	7.591200	0.0001
CR	-0.008049	0.029116	-0.276455	0.7892
RECT	4.099566	0.887961	4.616833	0.0017
INVT	9.551186	4.357154	2.192070	0.0597
C	-74.93811	30.91677	-2.423866	0.0416

R-squared	0.939166	Mean dependent var	38.93500
Adjusted R-squared	0.901145	S.D. dependent var	25.23476
S.E. of regression	7.934096	Akaike info criterion	7.277743
Sum squared resid	503.5990	Schwarz criterion	7.551625
Log likelihood	-44.94420	Hannan-Quinn criter.	7.252390
F-statistic	24.70127	Durbin-Watson stat	1.435266
Prob(F-statistic)	0.000115		

4.1 Effect of DER on EPS

The value of t statistics (t count) for the Debt to Equity Ratio (DER) = 2.027093 and the value of t table = 1.753 so that t count < t table (2.027093 < -1.753) means that Ho is not supported and Ha is supported which means that there is an effect of Debt to Equity Ratio (DER) partially to Earning Per Share (EPS)

4.2 Effect of ROE on EPS

The value of t statistics (t count) for Return on Equity (ROE) = 7.591200 and the value of t table = 1.753 so that t count > t table (7.591200 > 1.753) means that Ho is supported and Ha is not supported, which means that there is no effect of Return on Equity (ROE) partially to Earning Per Share (EPS)

4.4 Effect of CR on EPS

The value of t statistics (t count) for the Current Ratio (CR) = -0.276455 and the value of t table = 1.753 so that t count > t table (-0.019787 < -1.753) means that Ho is supported and Ha is not supported, which means that there is no partial effect of Current Ratio on Earnings Per Share (EPS)

4.5 Effect of RECT on EPS

The value of t statistics (t count) for Receivable Turnover (RECT) = 6.416833 and the value of t table = 1.753 so that t count > t table (6.416933 > 1.753) means that Ho is not supported and Ha is supported which means there is an effect of Receivable Turnover on Earning Per Share (EPS)

4.6 Effect of INVT on EPS

The value of t statistics (t count) for Inventory Turnover (INVT) = 2.192070 and the value of t table = 1.753 so that t count > t table (2.192070 > 1.753) means that Ho is not supported and Ha is supported which means there is an effect of Receivable Turnover on Earning Per Share (EPS)

4.7. Simultaneous Effect of DER, ROE, CR, RECT and INVT on EPS

Debt to Equity Ratio (DER), Return on Equity (ROE), Current Ratio, Inventory Turnover, and Receivable Turnover to Earning Per Share (EPS) where F statistics (F count) = 24.70127 and F table = 3.24 so F count > F table (24.70127 > 3.24) means that Ho is rejected and Ha is supported, which means Debt to Equity Ratio (DER), Return on Equity (ROE), Current Ratio, Inventory Turnover, and Receivable Turnover to Earning Per Share (EPS) have a significant effect simultaneously on Earning Per Share (EPS)

4.8 Coefficient of Determination (R2 adjusted)

The coefficient of determination test is used to determine the extent to which the model's ability to describe the correlation between independent variables and see. The R2 value of 0.939166 of 93.91% describes the beabs variable. 6.09% is influenced by other variables, which are not in this model.

5. Conclusion

The influence of REC, CR, ROE, DE and INVT on EPS together. There is an independent variable influence on EPS separately. With a high coefficient of determination, it becomes a finding that supports this research

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