Education About Stock Prices to the Public Through Earnings Per Share and Current Ratio Information on Meal and Drink Companies on the Indonesia Stock Exchange

Prasetya Tri Mahendra[✉], Muhammad Ali Lutfi, Indra Dekrijanti, and Atota Agnesia

Sekolah Tinggi Ilmu Ekonomi Nganjuk, Nganjuk, Indonesia
stienganjuk@stienganjuk.ac.id

Abstract. This study research purpose to know and analyze the infuence of Earning Per Share and Current Ratio both partial and simultaneous on stock prices. The use of samples Meal and Drink companies on the Indonesia Stock Exchange and shared the data needed consecutively for the period 2015–2018. A all population of 26 companies and after the selecting process of amples by purposive sampling method obtained 13 manufacturing companies. The data collection used is an internet documentation and research technique. The collected data is analyzed with formulas from each financial ratio, then processed utilizing the assumption of classical test, analysis of multiple linear regression and test of hypothesis. This study research uses data of secondary obtained from the Indonesia Capital Market Directory (ICMD) 2019 in the financial statements form published on the Indonesia Stock Exchange (IDX). The analysis of data method used is multiple linear regression of partially (test t) or simultaneously (test F). The outcomes of the study for Earnings Per Share showed a test significance value of t less than 0.05 (0.019 < 0.05) which means that the positive effect is significant on the Price of Stock. While the Current Ratio shows a test value t with significance of less than 0.05 (0.020 < 0.05) which means it also has a positive and significant influence on the Price of Stock. From the results of the F test, it was obtained that earnings per share and current ratio have a significance effect on the rising price of stock.

Keywords: Earnings Per Share (EPS) · Current Ratio (CR) · Price of Stock

1 Introduction

Currently the development of investment has been so rapid in the financial market in Indonesia which is characterized by the number of corporate transactions going public that continues to grow. In general, financial investment is divided into two parts, namely the capital market and the money market. Capital markets are a means to make investments which allows investors to diversify their investments, forming portfolios according to the risk they are willing to bear with the expected rate of return. Stocks are instruments of investment that are chosen by many investors because they are able to provide an attractive level of profit [1].

Investors are interested in this type of investment due to socialization and easier access if investors want to make transactions. Stocks are considered the easiest way to achieve financial freedom. Stocks can be an additional source of income for investors. Investors should assess the outlook for the performance of the issuer to make investments, because in general almost all investments (especially stocks) contain an element of uncertainty.

Stock price valuation is very necessary and fundamental for investors in making ruling to make investments because stocks are one type of investment that is promising for investors. It's also a stock ready for sale [2].

Sartono [3], It says that prices of Stock are formed in determined by several factors such as earnings per share or Earnings per Share (EPS) and the capital market, risk-exempt interest rates as measured from the interest value of government deposits and the certainty rate of the company's operations. In addition to these factors, the stock price can also be affected by the condition of the company. The better the financial performance of a corporation will have an impact on the profits earned by the company and profits earned by investors, so it will affect the increase in the stock price.

Some related studies include research conducted by Valintino and Sularto [4], Rahmadewi and Abundanti [5].

Build upon the description presented in the background above, then the problem formulation in this study research is:

1) Does Earning Per Share (EPS) education have a partial effect on the price of stock on the Indonesia Stock Exchange for Meal and Drink companies?
2) Does current ratio/CR education have a partial effect on the price of stock on the Indonesia Stock Exchange for Meal and Drink companies?
3) Does earnings per share and current ratio education, simultaneously affect the price of stock on the Indonesia Stock Exchange on Meal and Drink companies?

2   Library Review

2.1   Earning Per Share (EPS)

Fahmi's opinion [6], "Earnings Per Share or earnings per share is a form of granting profits given to shareholders of each share owned". Indicators used:

$$EPS = \frac{Earning\ after\ tax}{Number\ of\ Common\ Shares\ Outstanding}$$

2.2   Current Ratio (CR)

Based on Cashmere [7], "current ratio is a ratio to measure a company's ability to pay short-term liabilities or debts that are immediately due at the time of overall billing". The indicator used is:

$$Current\ Ratio\ (CR) = \frac{(Current\ Assets)}{(Current\ Liabilities)}$$

2.3 Price of Stock

According to Azis [8], "the price of stock is the price on the real market, and is the most easily determined price because it is the price of a stock in an ongoing market or if the market closes, then the market price is its closing price". Stock price indicator using stock closing price.

The reason for choosing the Earnings Per Share (EPS) indicator to calculate profitability ratios is because EPS indicates the company's ability to earn profits and distribute profits earned by the corporation to shareholders.

The higher the current ratio of the company will drive an increase in the quality of the stock price. On the other hand, the lower of current ratio at the corporation will tend to lower the quality of the price of stock.

2.4 Frame of Mind

See Fig. 1.

2.5 Hypothesis

H_1 *Earning per share* partially affect the stock price;
H_2 *Current Ratio* partially affect the stock price;
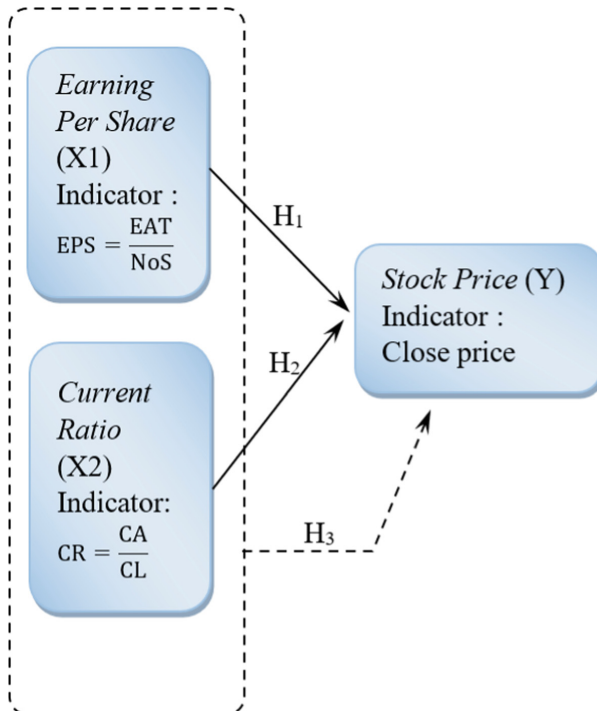H_3 E*arning Per Share* and *Current Ratio*, simultaneously affect the stock price.

Fig. 1. Hypothetical model.

3 Methods of Research

The classify of study conducted is causal associative research of quantitative. Independent variables in the study were Earning Per Share (EPS) and Current Ratio (CR) to be tested and analyzed for their effect on stock prices (Y) as dependent variables in the study.

This study was maked on Meal and Drink corporation obtained indirectly on the Indonesia Stock Exchange (IDX) in 2015 to 2018 by browsing on the site https://www.idx.co.id/ and from Indonesian Capital Market Directory (ICMD). As for data on the price of stock can be seen and downloaded from the site https://finance.yahoo.com/ and https://www.idx.co.id/produk/saham/.

3.1 Population and Sample

The population used in this research were all Meal and Drink corporation listed on the Indonesia Stock Exchange from 2015 to 2018. The population in the study was 26 companies.

In this research, not all of the population members were be accepted, but only the population part because the researcher limitations in conducting research both in terms of energy, time, and a very large population. Because of that, the sample be accepted must be really representative (really representing) that there are 13 companies with sampling techniques used, namely nonprobability sampling with purposive sampling techniques.

In this study, the sample was a company that met certain criteria. The criteria used as a sample of research are:

1) Meal and Drink sub-sector manufacturing corporation listed on the IDX in a row for the period 2015–2018.
2) Meal and Drink sub-sector manufacturing companies that provide sustainability reports and annual reports consecutively during the period 2015–2018.
3) Manufacturing companies that provide data related to research variables.
4) Manufacturing companies that did not suffer losses during the period 2015–2018.

3.2 Techniques of Data Collection and Instruments

Techniques of data collection used:

1) Library Research
   Researchers strive to obtain as much information as possible to serve as the principle of reference and theory in data processing, by reading, learning, reviewing and studying literature in the form of books, papers, journals, and study of previous related to the problems studied.
2) Online Research
   Researchers seek to obtain a variety of additional data and information from sites related to earnings per share and current ratio by accessing the site of annual report data got from the site https://www.idx.co.id/.

Table 1. The definition of operational variables

Variable	Definition	Measurement	Scale
Earning per share (X1)	The form of giving profits given to shareholders of each share owned	$EPS = \frac{EAT}{NoS}$	*Ratio*
Current Ratio (X2)	The company's ability to pay short term liabilities or debts that are direct due at the overall billing time.	$CR = \frac{CA}{CL}$	*Ratio*
Stock Price (Y)	The price on the true market, and is the most easily determined price because it is the price of a stock in an ongoing trade or if the closed market.	*Close price*	Nominal

Source: Data processed by researchers, 2021

3.3 Operational Definition of Variables

Research variables can be divided into two:

a. Independent Variable
   Here are the independent variables in the study:

   1) Earning Per Share (EPS)
   2) Current Ratio (CR)

b. Dependent Variable
   In this study, what is used as a dependent variable is the stock price. (Y).
   Here is the definition of operational variables (Table 1).

4 Discussion and Research Results

4.1 Multiple Linear Regression Test Results

Build upon the outcomes of the calculation of linear regression variables Current Ratio (LN_CR), return on equity (LN_ROE), and earnings per share (LN_EPS) to the stock price (HS) as seen in Table 2, the equation of regression is:

$$y = 3{,}391 + 0{,}279LN\_EPS + 0{,}196LN\_CR + \varepsilon$$

The equation of above can be explained in detail as follows:

a. Constant has a regression coefficient of 3,391. This means that if the variable earnings per share (LN_EPS) and current ratio (LN_CR) are constant, then there is an increase in the stock price (LN_HS) of 3,391. (a)

Table 2. Test results of multiple linear regression

Coefficients[a]

Model		UC		SC	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.391	1.115		3.042	.004
	LN_EPS	.279	.114	.316	2.438	.019
	LN_CR	.196	.210	.093	1.935	.335

[a]Dependent Variable: LN_HS
Source: Output SPSS, 2021

b. Earnings per share (LN_EPS) have a regression coefficient of 0.279. This means that every increase in the variable earnings per share (LN_EPS) by 1, while the Current Ratio variable (LN_CR) is constant, there will be an go up in the stock price (LN_HS) of 0.279. Conversely, if the variable earnings per share (LN_EPS) decreases by 1, while the Current Ratio (LN_CR) variable is constant, then there will be a decrease in the stock price (LN_HS) of 0.279.

c. The current ratio (LN_CR) has a coefficient of regression 0.196. This means that every go up in the Current Ratio (LN_CR) variable by 1, while the variable earnings per share (LN_EPS) is constant, there will be an go up in the stock price (LN_HS) of 0.196. Conversely, if the Current Ratio variable (LN_CR) decreases by 1, while the variable earnings per share (LN_EPS) is constant, then there will be a decrease in the stock price (LN_HS) of 0.196.

d. Standard error (e) indicates the error rate.

In accordance with the outcomes of the regression equation above, it can be known from the regression coefficient results of each variable that the variable earnings per share (LN_EPS) is a free variable that has a dominant influence on stock prices (LN_HS) when compared to other free variables in this study, namely the Current Ratio (LN_CR).

4.2   Testing Partial of Hypothesis (Statistical Test t)

Based on Table 3 results of static test t in the table is known the rate of t calculate and the significance of each variable as below:

a. Variable earnings per share (LN_EPS) calculated value of 2.438 with significance of 0.019. Based on the hypothesis criteria of decision making that the rate of t calculated greater than t table $(2,438 > 1,676)$ with a significance level less than 0.05 $(0.019 < 0.05)$ means earnings per share have a partial effect on the stock price is acceptable.

b. Variable Current Ratio (LN_CR) value t calculates 0.935 with significance of 0.335. Based on the hypothesis decision-making criteria that the value of t calculated less than t table $(2,857 > 1,676)$ with a significant level of more than 0.05 $(0.020 < 0.05)$ means that the Current Ratio has a partial effect on the stock price, so that the

Table 3. Test Results of Partial Hypothesis (Statistics t)

Coefficients[a]

Model		UC		SC	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.391	1.115		3.042	.004
	LN_EPS	.279	.114	.316	2.438	.019
	LN_CR	.196	.210	.093	2.857	.020

[a]Dependent Variable: LN_HS
Source: Output SPSS, 2021

Table 4. Testing results Simultaneous hypothesis (statistical test f)

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	50.054	2	16.685	20.346	.000[a]
	Residual	39.363	48	.820		
	Total	89.418	51			

[a]Predictors: (Constant), LN_EPS, LN_CR
[b]Dependent Variable: LN_HS
Source: data processed by researchers, 2021

first hypothesis that states the Current Ratio has an influence on the stock price is acceptable.

4.3 Testing of Simultaneous Hypothesis (Statistical Test F)

In Table 4, Anovab can be known the value of F calculated at 20.346 with a significance value of 0.000. As per the hypothesis criteria the outcomes of the test can show F the calculation is greater than the F table (20,346 > 2.80) with a significance of less than 0.05 (0.005 < 0.05), then the results of the calculation can be concluded that earnings per share and Current Ratio affect simultaneously on the stock price can be accepted.

5 Discussion

The outcomes of the study using consumer goods companies data listed on the Indonesia Stock Exchange from 2015 to 2018 showed that partially and simultaneously the three free variables, namely earnings per share (EPS) and Current Ratio (CR), had a significant influence on the price of stock.

1) Influence of Earnings Per Share with Stock Prices

The outcomes of this study show that Earnings Per Share (LN_EPS) has a calculated t value greater than t table (2,438 > 1,676) with a significant level of less than 0.05 (0.019 < 0.05) which means the third hypothesis which partially of states that Earnings Per Share (EPS) has an influence on the price of stock received. This value indicates that Earnings Per Share (EPS) has a significance effect on the Price of Stock. Earnings Per Share (EPS) has a very important role in terms of profits provided to investors.

Earnings Per Share (EPS) shows the profits given to shareholders of each share owned. A large Earnings Per Share (EPS) value will demonstrate the corporation's ability to earn large profits and demonstrate high corporate well-being. This is the opposite if the small Earning Per Share (EPS) value will show the corporation's ability to earn a small profit and show low well-being. This shape causes investors felled guarantee to make investments in the corporation. Investors who feeled guarantee can affect demand of market. Large market demand will result in the rate of the corporation's rising of stock price. This indicates that companies that have a large Earning Per Share (EPS) will increase the rate of the corporation's Share Price. The higher the rate of Earnings Per Share (EPS) will increase the rate of a company's stock price.

2) The outcomes of this study support research from Pratama and Nurlaily [9] and Valintino and Sularto [4] which states that it can be partially concluded that there is a significance effect between Earnings Per Share on the price of stock in the company. While the study results depart from the outcomes of study conducted by Rahmadewi and Abundanti [5] which stated that partially Earning Per Share negatively affects the stock price this shows that investors do not consider Earnings Per Share as a decision to buy shares.

3) Influence of Current Ratio with Stock Price

The study results of this show that the Current Ratio (LN_CR) has a calculated value of less than t table (2,857 > 1,676) with a significant level of more than 0.05 (0.020 < 0.05) which means this first hypothesis that partially the Current Ratio has a significance influence on the Price of Stock. Current Ratio (CR) is a comparing between current assets with current debt. This shows that if the company has a good Current Ratio value, it can be said that the company in the short term has a guarantee of current assets to meet current obligations that are due at any time.

The study results show that the influence of the Current Ratio on Prices of Stock is significant. This can be interpreted that the Current Ratio (CR) can be used as a basis to determine the small value of the corporate's Stock Price on the Indonesia Stock Exchange.

The study results support research conducted by Valintino and Sularto [4] which concluded that there is a significance effect between current ratio on prices of stock in manufacturing corporate in the industry sector of consumer goods. While the study results depart from the results of pratama and Nurlaily [9] and Rahmadewi and Abundanti [5] research that stated that the current ratio (CR) significantly to the stock price had no effect.

6 Conclusion

Based on research that has been conducted on education about stock prices to the public through earnings per share and current ratio in Meal and Drink companies on the Indonesia Stock Exchange can be concluded as follows:

1) Earnings per share partially influence the price of stock on the Indonesia Stock Exchange on Meal and Drink corporate. This is evidenced by a calculated t rate greater than a table t with a significance of less than 0.05.
2) The current ratio partially affects the price of stock on the Indonesia Stock Exchange on Meal and Drink corporate. This is evidenced by a calculated t rate greater than a table t with a significant of less than 0.05.
3) Earnings per share and Current Ratio have a simultaneous influence on the price of stock on the Indonesia Stock Exchange on Meal and Drink corporate. This is evidenced by the rate F calculates greater than the F table with significant less than 0.05.

References

1. Unknown. https://www.idx.co.id/produk/saham
2. Fahmi, I. (2015). *Pengantar Manajemen Keuangan Teori dan Soal*. Alfabeta.
3. Sartono, A. *Manajemen Keuangan Teori dan Aplikasi Edisi Empat*. BPFE.
4. Valintino and Sularto. (2013). Pengaruh Return On Asset (ROA), Current Ratio (CR), Return On Equity (ROE), Debt to Equity Ratio (DER), dan Earning per Share (EPS) terhadap harga saham perusahaan manufaktur sektor industry barang konsumsi di BEI. *Proceeding PESAT (Psikologi, Ekonomi, Sastra, Arsitektur & Teknik Sipil)*, Oktober 2013 (vol. 5). ISSN: 1858-2559.
5. Rahmadewi, & Abundanti (2018). Pengaruh EPS, PER, CR, Dan ROE Terhadap Harga Saham Di Bursa Efek Indonesia. *E-Jurnal Manajemen Unud*, 7(4), 2106–2133. ISSN: 2302-8912.
6. Fahmi, I. (2014). *Pengantar Manajemen Keuangan*. Alfabeta.
7. Kasmir. (2016). *Analisis Laporan Keuangan*. Raja Grafindo Persada.
8. Musdalifah Azis, S. E., Mintarti, S., & Maryam Nadir, S. E. (2015). *Manajemen Investasi Fundamental, Teknikal, Perilaku Investor dan Return Saham*. Deepublish.
9. Pratama, A., & Nurlaily. (2019). Pengaruh Return on Equity (ROE), Earning Per Share (EPS), Current Ratio (CR) dan Debt to Equity Ratio (DER) Terhadap Harga Saham (Studi pada Perusahaan Jakarta Islamic Index yang Terdaftar di Bursa Efek Indonesia Tahun 2015–2018). *Jurnal Administrasi Bisnis (JAB)*, 66(1).