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By Indriani Devinta Taubah

The Influence of Earning Per Share (EPS) and Price Earning Ratio (PER) on Stock Prices in the Food and Beverage Sector on the Indonesian Stock Exchange (BEI) for the 2015-2019 Period

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Abstract

The objective of this study is to examine the impact of earnings per Share (EPS) and Price Earning Ratio (PER) on the stock prices of companies in the food and beverage industry listed on the Indonesia Stock Exchange (BEI) from 2015 to 2019. EPS is utilized as a metric to gauge the profitability of each share, whereas PER characterizes the market's assessment of the earnings generated per share. The research employed a descriptive verification analysis method, utilizing a sample of seven prominent organizations within the researched sector.

The data utilized is derived from the yearly financial reports of each company, specifically secondary data. The investigation employed multiple regression approaches to examine the hypothesis regarding the impact of EPS and PER on stock prices. The test utilizes the coefficient of determination to ascertain the extent to which the regression model can account for the fluctuations in stock prices.

The research findings indicate a substantial correlation between EPS (Earnings Per Share), PER (Price Earnings Ratio), and firm share prices within the food and beverage industry on the IDX (Indonesia Stock Exchange). The R^2 value of 0.753 suggests that 75.3% of the changes in stock prices can be accounted for by the independent variables, EPS and PER. In this industry, share prices are primarily influenced by the profitability per share and market valuation.

In addition, this study emphasizes that additional variables not investigated in this research can significantly impact stock prices, including macroeconomic conditions, market sentiment, government regulations, and other external factors. Stable macroeconomic conditions can lead to more favorable circumstances for increased stock values, whereas government policy or market sentiment alterations can profoundly influence a company's stock performance.

The recommendations derived from this study are intended for investors and corporate executives operating in the food and beverage industry on the IDX. Investors are advised to consider the earnings per share (EPS) and price-to-earnings ratio (PER) components of their fundamental analysis to make better-informed investment choices. It is recommended that companies prioritize enhancing their financial performance and ensuring openness in their financial reporting to boost market trust and raise the value of their shares.

Subsequent investigations might broaden the range by including supplementary variables like Dividend Yield or Return on Equity (ROE) while doing a more extensive analysis of qualitative elements that impact market perceptions of EPS and PER. This research contributes to understanding the factors that impact share prices in the Indonesian capital market, particularly within the food and beverage industry.

Keywords: Earning Per Share (EPS), Price Earning Ratio (PER), Stock Price

Introduction

The intensification of economic competition results from the growing number of enterprises starting and expanding their operations in response to the increasing economic activity. In order to surmount this rivalry, companies require sources of capital. How to acquire funding for a company by offering its shares to the general public on the capital market. The capital market is a platform for exchanging corporate shares and long-term debt to utilize the sales proceeds to enhance the company's capital.

Investing in shares has a significant risk due to the need to entice investors with more considerable potential earnings than alternative investments with lesser risk (kompas.com). Regardless of whether they purchase bonds or shares, investors invariably have a specific objective for their investment. Investors in the capital market have short-term and long-term objectives, seeking to generate income over an extended period. Investors aspire to achieve the utmost return on their investments while acknowledging and managing the associated risks.

The BEI, often known as the Indonesian Stock Exchange, is a financial exchange in Indonesia. BEI has utilized the Jakarta Automated Trading System (JATS) as its trading system since May 22, 1995. Currently, the BEI has attracted five hundred and thirty-two enterprises. These companies are categorized into many industrial categories, including the manufacturing industry. Manufacturing refers to transforming raw materials into finished products suitable for human use, either through manual or mechanical means.

The manufacturing industry on the IDX is categorized into three primary sectors: the basic and chemical industry sector, the miscellaneous industry sector, and the consumer products industry sector. The consumer products industry is currently categorized into five distinct sub-sectors, with one of them being the food and beverage sub-sector. The food and beverage sub-sector holds a strong position in Indonesia, as seen by its significant contribution to the growth of the national Gross Domestic Product (GDP). This significant contribution underscores the industry's importance and potential for growth, making it an attractive investment opportunity. This phenomenon occurs due to the propensity of Indonesian individuals to engage in excessive consumption when meeting their fundamental needs. According to a report from www.investor.co.id, the food and beverage industry is ranked third among the four manufacturing industries that attract investment attention due to its promising potential. In addition, the official website of the Ministry of Industry (www.kemenperin.go.id) reports that the manufacturing sector accounted for 18.1% of the overall performance in 2015, with significant contributions from the food and beverage industry.

This circumstance is supported by the assertion that the food and beverage sector has started to witness progress since the midpoint of the fourth quarter of 2015. Adhi S. Lukman, the General Chair of the Indonesian Food and Beverage Entrepreneurs Association, made this comment. Cyrillus Harinowo, an Independent Commissioner of BCA and Unilever Indonesia has identified many food and beverage firms that are seeing significant growth. These companies include Indofood, Wings, Mayora, Garudafoods, ABC, Dua Kelinci, Teh Sosro, and Ultra Jaya.

The improved conditions in the food and beverage sub-sector manufacturing business have led to a high demand from investors seeking to spend their resources in this industry. In order to safeguard investors from incurring financial losses, organizations must consistently uphold their performance in order to ensure their long-term survival in the sector. Financial analysis, crucial tool in this process, can be used to evaluate both the positive and negative aspects of a company's performance. The outcomes of this financial study will assist the organization in formulating decisions and policies, providing investors with a clear understanding of the company's potential. This company policy will

be implemented to optimize the company's performance and maximize profitability. If the company demonstrates strong performance, investors will accrue profits and maintain their investments in the company.

This law demonstrates the government's particular focus on the investment sector, specifically in reporting to both the Capital Market Supervisory Agency (BAPEPAM) and the public regarding significant events that may impact the prices of securities of publicly listed companies. A corporation's financial reports provide insight into its condition. A thorough examination of financial reports can provide insight into the company's financial standing and performance. The outcomes of this study enable stakeholders to make informed decisions.

Financial reports provide a comprehensive account of the company's activity throughout a specific time frame. The activities are quantified in numerical values, denoted in rupiah and foreign currencies. Hence, financial reports should accurately depict the firm's state within a specific timeframe, enabling informed decision-making and providing shareholders with valuable information for their role as company stakeholders. The advancement of stock investors is a commendable accomplishment for the Indonesian economy, as it enables enterprises to augment their capital, optimize their performance, and adopt innovative programs previously hindered by insufficient funding. One method for evaluating stock prices is by conducting a fundamental firm analysis, namely by analyzing its financial ratios. Publicly traded companies must provide the necessary financial ratios as mandated by the Decree of the Chairman of Bapepam Number KEP-51/PM/1996 dated 17 January 1996 (BEJ).

The share price of the seven firms in the Food and Beverage industry for 2015-2019 was IDR 2,038 2015. In 2015, Sekar Laut Tbk (SKLT) had the lowest share price of IDR 370, while Indofood CBP Sukses Makmur Tbk (ICBP) had the highest share price of IDR 6,738.

In 2016, the average share price rose to IDR 2,544, representing a gain of IDR 506. In 2016, Sekar Laut Tbk (SKLT) had the lowest share price of IDR 308, while Indofood CBP Sukses Makmur Tbk (ICBP) had the highest share price of IDR 8,575.

Food and Beverage companies' average share prices rose further in 2017 and 2018, reaching IDR 2,891 and IDR 3,178, respectively. Sekar Laut Tbk (SKLT) and Nippon Indosari Corpindo Tbk (ROTI) had the lowest share prices in 2017 and 2018, with values of IDR 1,100 and IDR 1,200, respectively. On the other hand, Indofood CBP Sukses Makmur Tbk (ICBP) had the highest share prices, reaching IDR 8,900 and IDR 10,450, respectively.

In 2019, the average share price declined to IDR 3,074, representing a loss of IDR 104. In 2019, PT Wilmar Cahaya Indonesia Tbk, also known as CEKA, had the lowest share price at IDR 1,050, while Indofood CBP Sukses Makmur Tbk, or ICBP, had the highest share price at Rp. 10,775. This condition is a concise description of the empirical data table provided above, which is obtained from the website www.idx.co.id. The table displays share prices in the Food and Beverage subsector on the Indonesia Stock Exchange (BEI).

The average EPS for the year 2015 was 128.04. Sekar Laut Tbk (SKLT) had the lowest earnings per share (EPS) of 30, while Indofood CBP Sukses Makmur Tbk (ICBP) had the highest EPS of 257.

In 2016, the average profits per share (EPS) development soared to 178.79, marking a substantial 50.75% increase from 2015. This robust growth signals a promising future for the seven Food and Beverage firms. Sekar Laut Tbk or SKLT had the lowest EPS of 30, while PT Wilmar Cahaya Indonesia Tbk or CEKA had the highest EPS of 420.

In 2017, the average profits per share (EPS) development declined to 123.54, a significant fall of 55.25 from 2016. This decline in EPS should serve as a cautionary note for the seven Food and beverage firms. Nippon Indosari Corpindo Tbk, often known as ROTI, generated the lowest earnings per share (EPS) of 27.6. On the other hand, Indofood CBP Sukses Makmur Tbk, or ICBP, achieved the greatest EPS of 326.

In 2018, the average profits per share (EPS) growth rose to 136.56, representing a 13.02% increase from 2017. This condition indicates that the seven Food and Beverage firms observed a 13.02% rise in their earnings per share. Nippon Indosari Corpindo Tbk, also known as ROTI, generated the lowest earnings per share (EPS) of 28.1. In contrast, Indofood CBP Sukses Makmur Tbk, also known as ICBP, generated the highest EPS of 392.

In 2019, the average profits per share (EPS) significantly increased, reaching 207.81, representing a substantial increase of 71.25% compared to the previous year. This condition indicates that the seven Food and Beverage firms observed a noteworthy growth in their earnings per share. PT Nippon Indosari Corpindo Tbk, also known as ROTI, generated the lowest earnings per share (EPS) of 49.3. In contrast, Indofood CBP Sukses Makmur Tbk, also known as ICBP, generated the highest EPS of 432.

The mean growth rate of PER in 2015 was 16.41. PT Wilmar Cahaya Indonesia Tbk, or CEKA, achieved the lowest Price-to-Earnings Ratio (PER) of 3.77. In contrast, Indofood CBP Sukses Makmur Tbk, also known as ICBP, achieved the highest PER of 26.18.

In 2016, the average price-to-earnings ratio (PER) development rose from the previous year, 2015, to 17.79, a 1.38 increase. This rise in PER indicates a positive trend for the seven Food and beverage firms. PT Wilmar Cahaya Indonesia Tbk, also known as CEKA, achieved the lowest price-to-earnings ratio (PER) of 3.21, while PT Nippon Indosari Corpindo Tbk, or ROTI, achieved the highest PER of 28.93.

In 2017, the average Price-to-Earnings Ratio (PER) development was 27.06, representing a 9.27% increase compared to the previous year, 2016. This condition indicates that the seven Food and Beverage firms saw a 9.27% rise in their profits per share. PT Wilmar Cahaya Indonesia Tbk, or CEKA, achieved the lowest Price-to-Earnings Ratio (PER) of 7.13. In contrast, PT Nippon Indosari Corpindo Tbk, or ROTI, achieved the highest PER of 46.2.

In 2018, the average price-to-earnings ratio (PER) development was 26.44, 0.62 lower than the previous year's value of 27.06. This condition indicates that the seven food and beverage businesses experienced a 0.62% decline in their profits per share. PT Wilmar Cahaya Indonesia Tbk, or CEKA, achieved the lowest Price-to-Earnings Ratio (PER) of 8.81. In contrast, PT Nippon Indosari Corpindo Tbk, or ROTI, achieved the highest PER of 42.7.

2019 the average price-to-earnings ratio (PER) development was 18.40, which decreased from the previous year's 8.04. This condition indicates that the seven Food and beverage firms saw a loss of 8.04% in their profits per share. PT Wilmar Cahaya Indonesia Tbk, or CEKA, achieved the lowest price-to-earnings ratio (PER) of 2.9, while Mayora Indah Tbk, or MYOR, achieved the highest PER of 28.99. In 2019, PT Wilmar Cahaya Indonesia Tbk, or CEKA, had the lowest Price-Earnings Ratio (PER) compared to the previous five years (2015-2019). This is because the overall stock price of PT Wilmar Cahaya Indonesia Tbk, also known as CEKA, in 2019 amounted to IDR 1,050.

Stock price evaluation can be derived from many financial ratios, including the profitability ratio. The profitability ratio assesses the company's capacity to make profits, while the market ratio compares the company's value to the market price, drawing on prior study findings. Profitability and market ratios can be determined by calculating the Earnings Per Share and Price Earnings Ratio. Based on

various phenomena and statistics, the author can conclude that multiple factors significantly impact share prices. Among these elements, Earning Per Share (EPS) and Price Earning Ratio (PER) notably influence share prices. The author intends to perform a study named The Effect of Earning Per Share (EPS) and Price Earning Ratio (PER) on Share Prices in the Food and Beverage Sector Listed on the Indonesia Stock Exchange (BEI) in 2015-2019" based on the provided background.

Method

This research employs a descriptive verification method with a quantitative approach. By applying research methods, we can uncover meaningful connections between the variables under investigation, enabling us to draw conclusions that will enhance our understanding of the subject matter.

The author uses this methodology to effectively demonstrate the impact of Earnings per Share and Price Earnings Ratio on share prices. The research utilizes a quantitative approach, relying on quantitative data such as earnings per Share, Price Earnings Ratio, and share price data.

The required data should be relevant to the current issues and aligned with the study goals. This ensures that the data is acquired, processed, evaluated, and further processed in line with the investigated theories, enabling the derivation of conclusions from the data.

The population for this study comprises the share price data and annual financial report data of food and beverage subsector companies listed on the Indonesia Stock Exchange from 2014 to 2018. Specifically, it includes the Earning Per Share and Price Earning Ratio of 7 food and beverage subsector companies listed on the Indonesian Stock Exchange.

The determination of sampling is conducted by utilizing a purposive sampling technique, which involves selecting sample members based on the specific aims and concerns of the researcher. Judgment sampling is a form of purposive sampling in which the researcher chooses the sample based on evaluating several qualities of the sample members tailored to the study objective. The benefit of adhering to this purpose is that it allows the researcher to achieve their goals. However, the disadvantage is that it may only encompass some possible variations.

The selection of research businesses is based on careful analysis of specific aspects that meet the following criteria:

1. The companies referred to are specifically those in the food and beverage sub-sector listed on the Indonesia Stock Exchange between 2015 and 2019.
2. The company in issue is listed on the Indonesia Stock Exchange, providing comprehensive data that includes the audited financial report as of December 31. This condition ensures that the information acquired is highly reliable.
3. The company consistently provides shareholders with information on share trading volume, Earnings Per Share (EPS), and Price Earning Ratio (PER) over five years.

The conventional assumption test is employed to examine research data prior to hypothesis testing. The research used a multiple linear regression model. To ensure the validity of the regression results, the classical assumptions must be satisfied, specifically Normality, Autocorrelation, and Heteroscedasticity. The classical assumption test is conducted to determine if the regression model satisfies the best linear, unbiased, and efficient estimator (BLUE) criteria. Therefore, it is necessary to do this test.

Results and Discussion

The objective of this study is to examine the impact of earnings per Share (EPS) and Price Earning Ratio (PER) on the stock prices of food and beverage firms listed on the Indonesia Stock Exchange (BEI) between 2015 and 2019. This research aims to assist investors and firms by comprehensively understanding the link between EPS, PER, and share prices. This is expected to enable better investment decisions and the formulation of effective company strategies. This study used multiple linear regression analysis to assess the impact of earnings per Share (EPS) and Price Earning Ratio (PER) on share prices in the food and beverage industry listed on the Indonesia Stock Exchange (BEI) from 2015 to 2019. The regression model obtained is as follows:

$$Y = (-3659.974) + 19.897x1 + 156.561x2$$

The analysis results indicate that the EPS coefficient is 19,897, implying that a 1 unit rise in EPS will result in a corresponding increase of 19,897 units in the share price. This result indicates that the profitability per share has a favorable and substantial impact on share prices.

Furthermore, the PER coefficient of 156,561 indicates that the share price will increase by 156,561 units for each additional unit of PER. This result suggests that the market's assessment of the company's worth, as indicated by the price-to-earnings ratio (PER), significantly impacts share prices more than the company's earnings per share (EPS). Therefore, a more excellent price-to-earnings ratio (PER) indicates that investors trust the company's potential for future profit expansion, leading to increased stock prices.

The $R2$ coefficient of determination, which is 0.753, signifies that 75.3% of the variability in stock prices can be accounted for by the variables EPS and PER. The stock prices in the food and beverage industry on the IDX are impacted by the fundamental determinants of earnings per share (EPS) and price-to-earnings ratio (PER) significantly, accounting for 75.3% of the influence. The remaining 24.7% (or ε=100%−75.3%) is attributable to unexamined variables in this study, such as macroeconomic conditions, market mood, government policy, and other external factors.

The variables encompass macroeconomic conditions, market sentiment, government policies, and other external factors that affect stock prices. Macroeconomic factors, like inflation rates, interest rates, and economic growth, can significantly influence stock prices. Market sentiment, a measure of investors' views on the economy's and financial markets' future, significantly influences stock prices. Government policies, such as fiscal and monetary policies, industry regulations, and trade policies, can influence company performance and stock prices. External variables such as political developments, global events, and technical improvements can influence stock prices indirectly.

In summary, this study determines that both Earnings Per Share (EPS) and Price Earnings Ratio (PER) have a favorable impact on stock prices in the food and beverage industry on the IDX (Indonesia Stock Exchange). Nevertheless, the impact of PER outweighs EPS, suggesting that investors are more receptive to market valuation measures rather than profitability per share. These findings carry significant ramifications for investors and corporations. Investors can consider earnings per share (EPS) and price-to-earnings ratio (PER) when making investment decisions. On the other hand, firms can concentrate on enhancing their financial performance and implementing practical business strategies to impact market valuations and raise their share prices. Technical analysis is fundamentally comprehensible and prioritizes real market happenings. Some of the factors that impact technical analysis include:

1. The rate at which interest is charged or paid on a loan or investment.
2. Political affairs or governmental regulations
3. Rational and irrational factors influencing demand and supply
4. The determination of market value relies on the interplay between demand and supply.
5. Shifts in demand and supply lead to changes in trends.
6. Certain chart patterns tend to recur.

Other elements contribute to the increased importance of technical analysis over fundamental analysis in this research. Investors prefer and employ technical analysis more frequently due to its ease of usage despite its foundation in fundamental research.

Furthermore, it is advisable to consider additional variables that could impact stock prices to have a more comprehensive understanding. In similar studies, include additional independent variables, such as Dividend Yield, Return on Equity (ROE), and other macroeconomic indicators. It is advisable to utilize data from different industries or more extended periods to see if the same outcomes apply on a broader scale. In addition, qualitative analysis will be performed to better understand how investors and corporations perceive and react to fluctuations in earnings per share (EPS) and price-to-earnings ratio (PER). This technique will offer a more thorough and detailed understanding of the dynamics of share prices.

Conclusion

This study conducted a comprehensive analysis of the impact of earnings per Share (EPS) and Price Earning Ratio (PER) on the share prices of food and beverage firms listed on the Indonesia Stock Exchange (BEI) from 2015 to 2019. The research findings indicate that EPS (Earnings Per Share) and PER (Price Earnings Ratio) substantially impact stock prices. Earnings per share (EPS) serves as a metric to assess the company's profitability per-share basis, offering a glimpse into its capacity to make profits, which can impact investor attraction. Meanwhile, the Price-to-Earnings Ratio (PER), which compares the company's share price to its earnings per share, indicates the investors' anticipation of its future expansion.

A regression study indicates that increased EPS units can raise share prices. Additionally, a high price-to-earnings ratio (PER) tends to bolster an increase in share value. This study validates that stock valuations in the food and beverage industry on the IDX are driven by the company's internal financial performance and market perceptions of possible profit growth.

Nevertheless, it is crucial to remember that EPS and PER do not account for all fluctuations in stock prices. Additional elements, such as macroeconomic conditions, market mood, government regulations, and external events, also substantially impact. Stable macroeconomic conditions can foster a favorable atmosphere for share prices. However, alterations in government policies impact industry and investment restrictions.

Investors should incorporate EPS (earnings per share) and PER (price-to-earnings ratio) analysis into their investment strategy. Additionally, they should be mindful of external events that can impact stock prices. Companies can enhance market perception of their worth by prioritizing financial performance improvement, maintaining clear communication with investors, and implementing effective risk management strategies.

To enhance future study, it is advisable to use supplementary variables like Dividend Yield or Return on Equity (ROE), and broaden the data's scope to validate these conclusions on a wider scale. Qualitative analysis can offer a further understanding of how interpretations and reactions to underlying causes may evolve throughout time. This research significantly contributes to the comprehension of stock value patterns in the Indonesian capital market, particularly in the food and beverage industry, and underscores the need for continued research in this area.

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