THE INFLUENCE OF ROA, ROE, ROS, AND EPS ON STOCK PRICE

PENGARUH ROA, ROE, ROS, DAN EPS TERHADAP HARGA SAHAM

by:
Carmela Pinky Manoppo

Faculty of Economics and Business,
International Business Administration (IBA) Program
University of Sam Ratulangi Manado

Email *: pinky.carmela@yahoo.com*

Abstract: In a competitive business environment, the use of size financial performance fundamental to the analysis of financial ratios as conventional accounting gauges, such as profitability ratios have major drawbacks are ignoring their capital costs making it difficult to know whether a company has managed to create value or not. By using a multiple linear as a data analysis tools, this research found that ROA, ROE, ROS and EPS have significant influence on Stock Price, simultaneously and partially. The company need to improve the ROA, ROE, ROS, and EPS to enhance the stock price.

Keywords : *roa,roe, ros, eps, stock price*

Abstrak: *Dalam lingkungan bisnis yang kompetitif, penggunaan kinerja keuangan ukuran fundamental analisis rasio keuangan sebagai alat pengukur akuntansi konvensional, seperti rasio profitabilitas memiliki kelemahan besar mengabaikan biaya modal mereka sehingga sulit untuk mengetahui apakah suatu perusahaan telah berhasil menciptakan nilai atau tidak. Dengan menggunakan linier berganda sebagai alat analisis data, penelitian ini menemukan bahwa ROA, ROE, ROS dan EPS memiliki pengaruh signifikan terhadap Harga Saham, secara simultan dan parsial. perusahaan perlu meningkatkan ROA, ROE, ROS, dan EPS untuk meningkatkan harga saham.*

Kata kunci: *roa, roe, ros, eps, stock price*

INTRODUCTION

Research Background

One means for investing is the stock market, the capital market allows investors (investors) to invest, forming a portfolio according to the risk they were willing to bear and the expected profit rate. Investments in securities are also liquid (easily changed). Therefore, it is important for companies to always pay attention to the interests of the investors by maximizing the company's value, because the value of the company is a measure of the success of the implementation of its financial functions.Investment is the commitment of a number of funds or other resources were done at this time, in order to gain some advantage in the future (Tandelin, 2001: 3).

One aspect that is assessed by the investor is financial performance. In principle, the better the achievements of the company will increase the demand for shares of the firms, which in turn will improve also the company's stock price. The price of the stock market index is a measure of the achievements of companies, namely how far the management has managed the company on behalf of shareholders (Van Horn in Kusdiyanto, 2001). Thus the share price in the stock market is an indicator of the value of the company, namely how to increase shareholder wealth is general corporate purposes.Investors invest in the stock return hope to gain as much as possible. Therefore, investors need different kinds of information so that investors can assess the performance of the company required for the return of investment decisions. Broadly speaking, the information required investor consists of fundamental and technical information.

Ratio analysis is a tool used to help analyze the company's financial statements so that can know the strengths and weaknesses of a company. Ratio analysis also provides indicators that can measure the level of profitability, liquidity, income, use of assets and liabilities of the company. In this study the ratio used is the Earning per Share (EPS), Return on Equity (ROE), Return on Sales (ROS), Return on Assets (ROA).In a competitive business environment, the use of size financial performance fundamental to the analysis of financial ratios as conventional accounting gauges, such as profitability ratios have major drawbacks are ignoring their capital costs making it difficult to know whether a company has managed to create value or not.

Research on fundamental financial ratios has also been done before. One is the research results mentioned that the ratio fundamental ratio has significant influence on the stock price changes. Different state the other way.Based on the research that has been conducted by researchers earlier about the influence of ROA, ROE, EPS, and ROS on stock price is the result contradiction to each other and driven by excess method offered by Stern Stewart Co., this research motivated to retest method of ROA, ROE, ROS, EPS on stock price performance depicting the insurance company in Indonesia Stock Exchange for period of 2015.

Research Objective:

1.To analyze the significant influence of ROA,ROE,ROS, and EPS on stock price, simultaneously
2. To analyze the significant influence of ROA on stock price
3. To analyze the significant influence of ROE on stock price
4. To analyze the significant influence of ROS on stock price
5. To analyze the significant influence of EPS on stock price

THEORITICAL FRAMEWORK

Previous Research

Sihasale (2001) examined the effect of the financial performance of the stock price of companies listed on the JSE. The result shows that jointly , ROE, ROA significantly influence stock prices. While individually EVA does not significantly affect the share price, while the ROA and ROE have a significant effect on stock prices. Nugroho (2001) EPS results of this research are a strong influence on stock prices, whereas ROA negatively affect the share price . ROE , ROC , NPM effect on stock prices . Patriawan(2011), result of this study are a positive influence stock prices, roe is negative and significant on stock prices, while EDR and no significan negative effect on stock prices. Rahmantono(2008), the result showed that jointly EPS, ROS,BEP,and has significant effect on stock prices. Rinanti (2009), result of this study was taken together variable NPM,ROA,ROE has significant influence on stock price.

Hypothesis

H_1: ROA, ROE, ROS and EPS have significant influence on Stock Price, Simultaneously.
H_2: ROA has significant influence on Stock Price.
H_3: ROE has significant influence on Stock Price.
H_4: ROS has significant influence on Stock Price.
H_5: EPS has significant influence on Stock Price

RESEARCH METHODS

Type of Research

This research is causal type of research and using multiple regression data analysis tool to analyze the influence of ROA, ROE, ROS and EPS on Stock Return.

Place and Time of Research

This research is conducted in Manado from June and the data is taken from BEI website.

Conceptual Framework

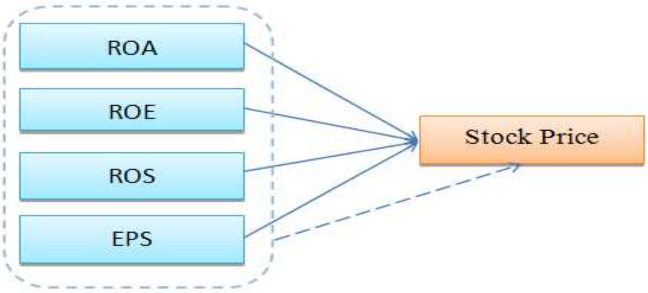

Figure 1. The Conceptual Framework
Source: Research data processing

Data Analysis Method

Multiple regression model is a regression analysis to explain the relationship between the dependent variable and several independent variables. In the use of regression equation, there are several basic assumptions that have to be met. These assumptions are: normality test, multicollinearity, autocorrelation test, and test heteroscedasticity. After regression equation freed from the basic assumption that we then can do hypothesis testing.

Operational Definition and Measurement of Research Variable

The variables in this study include the dependent variable and the independent variable . The dependent variable is the variable that has the characteristics in which the size of the variable is influenced by many factors . In other words, the growth of the company depends on a change in one more factor . Whereas the independent variables are variables that can stand on its own without depending on or influenced by other factors .The independent variable used in this study is the Profitability ratios (ROA , ROE , ROS) and Earning Per Share (EPS).The dependent variable used in this study is the insurance company's share price listed on the Stock Exchange.

Definition of Operations

The operational definition of research variables are the explanation of each variable used in the study of indicators that make it up. Indicators of variables in this study are as follows: Return on Assets or economic profitability is also called operating profit with their own capital and foreign capital that is used to generate such profits and expressed as a percentage. as follows (Husnan, 2004:72). Return on Equity is the ability of a company with its own capital to work on it to make a profit. Return on Sales is the ratio of a company's ability to achieve a profit (profit) from the sale of activities undertaken . The measurement is based on the percentage ratio between net income divided by sales. EPS describes the profitability of the company is reflected in each share . EPS is calculated by the following formula.

RESULT AND DISCUSSION

Heteroscedasticity test

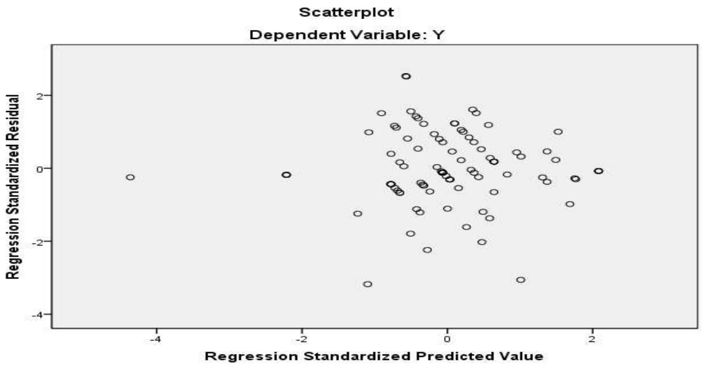

Figure 2. Scatterplot
Source: SPSS output ,2015

Figure 2, it can be seen that there is no established pattern, in other words the graph describing the plot spread above and below the number 0 (zero) on the Y-axis. This proves that the independent variables which are ROA (X_1), ROE (X_2), ROS (X_3) and EPS (X_4) are free of Heteroscedasticity

Multicollinearity Test

Table 1. Multicollinearity Test

Variable	VIF
X_1	1.548
X_2	1.522
X_3	1.169
X_4	1.029

Source: SPSS Output, 2015

The results in the Table 1, can be seen by SPSS output does not occur because the symptoms of multicollinearity VIF value of X_1 – X_4 is below numbers < 10, this means that there is no connection between the independent variables.

Normality Test

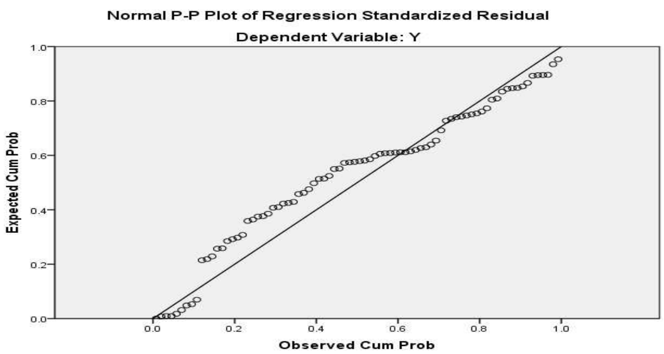

Figure 3. Normal P-Plot of Regression
Source: SPSS output,2015

From the figure 3, it can be seen that the points spread and spread around the diagonal line in the direction diagonal lines. This proves that the model Regression in test normality assumption was met.

Regression analysis

Table 2. Regression analysis

Variable	B
(Constant)	1174.492
X_1	4738.010
X_2	2687.624
X_3	39.435
X_4	.029

Source: SPSS Output, 2015

Thus, if there is any change in factors measuring of X_1– X_4 will change dependent variable Y.

Coefficient Correlation (R) and Determination (R^2)

Table 3. Coefficient Correlation (R) and (R^2)

Model	R	R Square
1	.882[a]	.735

Source: SPSS Output, 2015

Based on the analysis of correlation (r) is equal to 0.882 indicating that the Correlation of The Influence of X_1 – X_4 on Y has a strong relationship

Table 4. ANOVA[b]

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3168533.908	4	792133.477	12.459	.008[a]
	Residual	86250542.526	50	1725010.851		
	Total	89419076.434	54			

a. Predictors: (Constant), EPS, ROE, ROS, ROA
b. Dependent Variable: S Price

Source: SPSS Output, 2015

Value of 12.459 of F_{Count} significant 0.008. Because the sig < 0.05 means the confidence of this prediction is above 95% and the probability of this prediction error is below 5% which is 0.008. Therefore H_0 is rejected and accepting H_a. Thus, the formulation of the hypothesis that The Influence of X_1 – X_4 on Y Simultaneously, accepted.

Partially test

Table 5. Partially test

Model	t	Sig.
X_1	2.574	.006
X_2	2.798	.004
X_3	2.669	.005
X_4	2.828	.004

Source: SPSS Output, 2015

The confidence of this prediction is above 95%. Therefore, H_a received.

Discussion

The insurance company is a service company that is willing to take over the risk of financial loss from other parties, both individuals and groups in society. From all issuers listed on the Stock Exchange is not all the research sample, as in this study is a company that belongs to the group insurance at BEI within the observation period 2010-2014 a total of 11 companies. Results of t-test known that the Return On Asset (ROA) to the stock price has a significant influence and positive relationship. Currently, earnings before interest and taxes rose and total assets down the ROA will rise, the greater the ROA greater level of profit achieved by the company. This shows that management can use the total assets of the company as well (current assets and fixed assets) and will ultimately improve the company's stock price so that attract many investors to invest in the insurance company. ROA ability in predicting stock prices is possible because of the nature and pattern of ROA conducted by the company is very precise so there are some assets that are worked or used efficiently so as to obtain maximum share price. In addition the revenue generated by the capital originating from the debt can not be used to cover the cost of capital and the shortfall must be covered by a portion of revenues originating from shareholders. The relationship between ROA with stock prices is positive and significant, which means that any increase in ROA can raise stock prices and significant.

Results of t-test known that the Earning Per Share (EPS) to the stock price has significant influence and positive relationship. The higher the company's ability to distribute income to its shareholders, the greater the success of the business is doing. This is obvious because investors will be more interested in stocks that can provide large earnings from the shares that have small earnings. The alternative hypothesis which states that there is a positive influence between EPS on stock prices, acceptable Signs positive coefficient variable EPS showed that the greater the assets remain shut current liabilities led to rising stock prices, so if more and more assets smoothly in closing the current debts then the price stocks will rise this study according to the study.
Partially Return on Seles (ROS) has significant influence on Stock Price. Means that ROS has a capability to predict the Stock Price. Investors always see the company that can generate income from sales. More income will resulting in more dividend and eventually will raise the investor's investment.

Partial ROE has significant effect on stock prices. This is because ROE is a ratio that is most important and if the value is good and go on an even keel will make the stock price high. ROE shows the return on equity. When an investor invests necessarily expect a return on what has been invested. This ratio describes how well the company is able to restore what have been invested investors. Therefore, the higher the ROE will increasingly attract investors and lead to a rise in stock price. It has also been proven in accordance with the results of this study (Bringham and Houston, 2010; Keown *et al*, 2005). Simultaneously, ROA, ROE, ROS, and EPS have significant influence on Stock Price. This indicates that the change of Stock Price mostly is influenced by these independent variables.

CONCLUSION AND RECOMMENDATION

Conclusion

Based on the analysis and discussion that has been stated in the previous chapter, the authors draw some conclusions as follows:

1. ROA, ROE, ROS and EPS have significant influence on Stock Price, Simultaneously.
2. ROA has significant influence on Stock Price.
3. ROE has significant influence on Stock Price.
4. ROS has significant influence on Stock Price.
5. EPS has significant influence on Stock Price.

Recommendation

From the conclusions that have been raised previously, then the next author will present suggestions as inputs for the company, as follows:

1. In theory, stock returns are influenced by fundamental factors and market factors. Because ROA, ROE, ROS and EPS is a fundamental factor and proven to have no effect on stock price, it is advisable in future studies to increase the fundamental factors and market factors so the results are more varied significantly and the coefficient of determination can be improved, so that modeling is becoming more complex.
2. In subsequent studies need to add the object, is not limited to Insurance Company alone but on manufacturing companies that go public on the ISE so as to improve the distribution of better data.
3. Future studies need to consider the addition of a period of time so as to increase the number of samples in research and can provide a more varied.

REFERENCES

Herlina Sihasale. 2001. Analisis Pengaruh Kinerja Keuangan Terhadap Saham Perusahaan Manufaktur Yang Terdaftar di Bursa Efek. *Skripsi*. *www.Indonesia.com/Herlina+Sihasale.+2001.*

Bhuono Agung Nugroho 2000. *Strategi Jitu Memilih Metode Statistic Penelitian.* Penerbit Andi. Jogyakarta.

Suad Husnan. 2004. Teori Portofolio dan Analisis Sekuritas, Edisi Kempat. Jurnal Dari Penelitian Bisnis. PT. Raja Grafindo Persada, Jakarta.

Bringham and Houston. 2010. Dasar-Dasar Menejemen Keuangan Buku 1,Edisi 2. Salemba Empat, Jakarta.

Ina Rinanti 2009. Pengaruh Net Profit NPM, ROA, ROE Terhadap Harga Saham Pada Perusahaan Tercantum Dalam Indeks LQ 45,87-91 *www.gunadarma.ac.id/library/articles/.../2009/Artikel_20205626.pdf.*

Tandellin, 2001. *Analisis Investasi dan Manajemen Portofolio.* BPFE Yogyakarta.

Van Horn In Kusdiyanto, 2001, Fundamental of Financial Management, Jurnal Manajemen. Vol. 89, No.1, 2011, Pp. 2-17108-115

Heri Rahmantono 2008, Pengaruh Return On Sales Terhadap Harga Saham, Jurnal Dari Penelitian Manajemen Perhotelan. *Jurnal* Aplikasi *Manajemen* Vol 5 (Desember). No.3. *eprints.ums.ac.id/34839/1/1%20 NASKAH%20PUBLIKASI.pdf.*

Dwiatma Patriawan 2011, Pengaruh Earning Per Share Terhadap Harga Saham, Jurnal Dari Analisa Perdagangan, Vol.3(3), 232–240. *eprints.undip.ac.id/.../ARTIKEL_JURNAL_ DWIATMA_ PATRIAWAN.*