THE EFFECT OF DEBT-TO-EQUITY RATIO AND CURRENT RATIO ON EARNINGS PER SHARE MODERATED BY RETURN ON EQUITY

Aremi Evanta Br. Tarigan
Rasinta Ria Ginting
Yusuf Ronny Edward

ABSTRACT

The purpose of this research is to find out, test and analyze the debt-to-equity ratio and current ratio to earnings per share in various industrial sector manufacturing companies listed on the Indonesia Stock Exchange in 2017 – 2019. The variable being tested is the liquidity ratio proxied by current ratio, leverage ratio proxied by debt-to-equity ratio, profitability ratio proxied by earnings per share and moderating variable by return on equity. The population in this study involved all manufacturing companies in the various industrial sectors listed on the Indonesia Stock Exchange for the period 2017-2019, totaling 45 companies. The sample selection was done using purposive sampling method, so that 20 companies could be used as research samples with a period of 3 years. The data used is external data, which is obtained from the website www.idx.co.id. The data analysis process will be carried out using smartPLS. The results showed that the liquidity ratio proxied by the current ratio had a positive and significant effect on earnings per share. Leverage ratio proxied by debt-to-equity ratio has a negative and significant effect on earnings per share. Profitability ratio proxied by return on equity is not able to moderate the debt-to-equity ratio to earnings per share. Profitability ratio proxied by return on equity is not able to moderate the current ratio to earnings per share.

Keywords*:* Debt to Equity Ratio, Current ratio, Earning per Share, Return on Equity.

INTRODUCTION

To accelerate the growth of the company, many companies issue shares. Shares are proof of someone's ownership in a company. Fahmi (2014: 323) states that shares are paper with a clearly stated nominal value, company name and followed by rights and obligations explained to each holder.

In general, to earn a profit in investing, it is done by investing or investing in the capital market, then investors get profits in the form of dividends and capital gains. In the process of investing, there is also a risk called risk. Risk will always exist in every investment activity; therefore, investors must need good indicators in making decisions before investing. According to Chelmi (2013:1) one of these indicators is earnings per share. Prospective shareholders are attracted by large earnings per share, because this is one indicator of the company's success.

Manufacturing companies in the various industrial sector are one of the pillars of a country's economic development, because their role as a provider of human resources working in the various industrial sectors is quite high. One of the various industrial manufacturing companies also requires very large investment costs, long term, conditions with risks, and high uncertainty, making profit issues a major issue related to company development.

THEORETICAL BASIS

Earnings per share theory

Earnings Per Share is a ratio that shows the amount of profit earned from each existing share. Increasing Earnings Per Share can be used to measure the company's growth and also to always attract the interest of other investors, which also shows how attractive a company is performing. Cashmere (2013;70)

Debt to equity ratio theory

"Debt to equity ratio as a measure used in analyzing financial statements to show the amount of collateral available to creditors." Fahmi (2012:73)

Current Ratio Theory

"Current ratio is the ability of the company's current assets to meet short-term obligations with its current assets." Sumarsan (2013:45)

Return On Equity Theory

Return On Equity is a measure of the company's ability to obtain profits available to the company's shareholders. This ratio is also influenced by the size of the company's debt, if the proportion of debt is large, this ratio will be large. Sartono (2012:124)

RESEARCH METHODS

According to Ghozali (2021:18), the purpose of using Partial Least Square (PLS) is to develop theory, build theory and make predictions. Which in making these predictions is to predict the relationship between constructs, in addition to helping researchers in their research, to get the value of the latent variable that aims to make predictions. The latent variable is the linear aggregate of the indicators. The weight estimate for creating the component score for the latent variable is obtained based on how the inner model (structural model that links between latent variables) and outer model (measurement model, namely the relationship between indicators and their constructs) is specified. The result is that the residual variance of the dependent variable (both latent and indicator variables) is minimized.

The parameter estimates obtained by PLS (Partial Least Square) can be categorized as follows: The first category is the weight estimate used to create the latent variable score. The second reflects the path estimate that connects the latent variables and between latent variables and their indicator blocks (loading). The third category is related to the means and location of parameters (regression constant values) for indicators and latent variables.

Tabel 1 Identification and Definition of Operational Variables

Variabel	Definisi Operasional	Indikator	Skala Pengukuran
Debt To Equity Ratio (X1)	Measuring the ability of a company's capital to guarantee or pay debts	*DER* = Total debt / Total capital	Ratio
Current Ratio (X2)	Measures the company's ability to pay short-term obligations by comparing current assets with current liabilities.	*CR*= Current Asset / Current Debt	Ratio
Earning per Share (Y)	Measure the company's ability to distribute net income to shareholders	*EPS* = Net Pofit / Number of share outstanding	Ratio
Return On Equity (Z)	Measures the company's ability to earn profits with its own capital	*ROE* = *Earning After Tax (EAT) / Equity*	Ratio

RESEARCH RESULT

Descriptive analysis provides a description or description of a data seen from the average value (mean), median value (median), standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness (distribution of distribution) of each variable. . The variables used include the Debt to Equity Ratio (DER), Current Ratio (CR) which is the independent variable, while Earning per share (EPS) is the dependent variable and Return on Equity (ROE) is the moderating variable. Based on the data for each of these variables, a descriptive analysis was tested using SmartPLS 3.0 so that the following results were obtained:

Table 2. Descriptive Statistical Results

Indicators	N	Min	Max	Mean	Std Dev.
Earning Per Share	60	0.040	310.05	45.372	56.761
Debt to equity Ratio	60	0.070	3.890	0.991	0.845
Current Ratio	60	0.516	7.924	2.234	1.498
Return On Equty	60	0.120	71.840	9.432	10.531

Source: Smartpls 2021 Data Processing

The explanation of the results of descriptive statistics from table 2. Above is as follows:

1. The Earnings per share (Y) variable has a sample size of 60 samples, with a minimum value of 0.040 at the Star Petrochem Tbk company and a maximum value of 310,050 at the Multi Prima Sejahtera Tbk company. While the average value is 45,372 and with a standard deviation value of 56,761.

2. The Debt to Equity Ratio (X1) variable has a sample size of 60 samples, with a minimum value of 0.070 at the Multi Prima Sejahtera Tbk company in 2019, and a maximum value of 3,890 at the Steadfast Marine Tbk company in 2017. While the average value is 0.991 with a standard deviation of 0.845.

3. The variable current ratio (X2) has a total sample of 60 samples, with a minimum value of 0.516 at the Steadfast Marine Tbk company in 2017 and a maximum value of 7,924 at the Multi Prima Sejahtera Tbk company in 2018. While the average value is 2.234 and with a standard deviation 1.498.

4. The return on equity (Z) variable has a sample size of 60 samples, with a minimum value of 0.120 at the Trisula Internasional Tbk company in 2019 and a maximum value of 71,840 at the Star Petrochem Tbk company in 2018. While the average value is 9,432 and the standard value 10,531 deviation.

CONCLUSION

Based on the results of the study, some conclusions can be drawn as follows:

1. Debt to Equity Ratio has no effect on earnings per share in manufacturing companies in the various industrial sectors on the Indonesia Stock Exchange for the period 2017-2019.

2. Current Ratio affects earnings per share in various industrial sector manufacturing companies on the Indonesia Stock Exchange for the 2017-2019 period.

3. Return On Equity is unable to moderate the effect of the debt to equity ratio on earnings per share in manufacturing companies in the various industrial sectors on the Indonesia Stock Exchange for the period 2017-2019

4. Return on equity is not able to moderate the effect of the current ratio on earnings per share in manufacturing companies in the various industrial sectors on the Indonesia Stock Exchange for the period 2017-2019

Suggestion

Based on the limitations of the research above, the researcher proposes several suggestions for further research, including:

1. Share Investors

To invest in companies that go public. Investors are expected to be able to see in advance how the ratio of liquidity, solvency, activity and profitability when running their business so that large losses can be avoided. Potential investors can also ask for opinions from other experienced investors who have invested in the company, how they value, view and trust the company.

2. For Companies

For manufacturing companies in the various industrial sectors, it is expected that they must be more optimal in allocating their funds into other forms of investment, because if the allocation of funds is not appropriate, it will be at risk for the company in the future.

3. For Further Researchers

For further researchers, it is recommended to expand this research not only to various industrial sectors and to add a period of years to be studied with a period of five to ten years in order to provide maximum results in research.

REFERENCES

Chelmi. 2013. Pengaruh Financial Leverage Ratio Terhadap Earning per Share (EPS) pada Perusahaan Properti da Real Estate yang Terdaftar di Bursa Efek Indonesi Periode 2008-2011. Jurnal On Google Scholar

Imam Ghozali. 2021. Partial Least Squares. Konsep teknik dan Aplikasi Menggunakan Program Smart PLS 3.2.9. Semarang: Universitas Diponegoro.

Indriawati dan Mursidah Nurfadillah. 2020. Pengaruh Current Ratio dan Earning Per Share terhadap Harga Saham dengan Price Earning Ratio sebagai Variabel Moderasi. Borneo Student Research Journal. Volume 1 N0mor 2.

Irham Fahmi. 2012. Pengantar Manajemen Keuangan Teori dan Soal Jawab. Cetakan Pertama. Bandung : Alfabeta.

Kasmir. 2013. Pengantar Manajemen Keuangan. Jakarta : Kencana Prenada Media Group.

Maria Ojo Cendiviani dan Redy Albertus Herinanto. The Effect of Current Ratio, Return On Equity and Debt To Equity Ratio on Stock Returns on The Indonesia Stock Exchange. Strategic Management Bysiness Journal, Volume 1, Issue 1

Mila Ayu Cahyani, Deannes Isynuwardhana dan Dewa P.K. Mahardiks. 2017. Pengaruh Return on Asset, Return on Equity dan Earning Per Share Terhadap Harga Saham (Studi pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi yang Terdaftar di Bursa Efek Indonesia Periode 2011-2015). Jurnal e Proceeding of Management. Volume 4. Nomor 1. Halaman 444

Nur Ulfi Zakiah Mukhtasyam. 2020. Pengaruh Profitabilitas, Likuiditas dan Solvabilitas terhadap Harga Saham dengan Earning Per Share sebagai Variabel Moderasi. Jurnal Universitas Hasanuddin Makassar. Volume 1.

Rahmat dan Mursida Nurfadillah. 2019. Pengaruh Debt To Equity Ratio dan earning Per Share Terhadap Harga Saham dengan Price Earning Ratio sebagai Variabel Moderasi pada Perusahaan Manufaktur yang Terdaftar di BEI. Borneo Student Research journal. Volume 2.

Sartono, R. Agus. 2010. Manajemen Keuangan Teori dan Aplikasi. Edisi Keempat. Cetakan Keempat. Yogyakarta : BPFE-Yogyakarta.

Sri Fitri Wahyuni. 2017. Peran Kepemilikan Institusional dalam Memoderasi Pengaruh Current Ratio, Debt To Equity Ratio, Total Asset Turnover dan Inventory Turnover Terhadap Return on Equity di Bursa efek Indonesia. Jurnal Riset Finansial Bisnis. Volume 1. Nomor 2. Halaman 147-158

Yuliawati & Darmawan. 2019. Rasio Keuangan dan Pengaruhnya terhadap Harga Saham Syariah dengan Price Earning Ratio sebagai Variabel Moderasi. Jurnal Ekonomi dan Bisnis Islam. Volume 4. Nomor 2. Halaman 109-124.

Aremi Evanta Br. Tarigan
Universitas Prima Indonesia

Rasinta Ria Ginting
Universitas Prima Indonesia

Yusuf Ronny Edward
Universitas Prima Indonesia
Email: yusufronnyedward@unprimdn.ac.id