

Effect of Earning Per Share, Net Profit Margin on Stock Returns in Property and Real Estate Companies

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Abstract

This study aims to determine the effect of Earning Per Share, Net Profit Margin on Stock Returns in property and real estate companies. This study used a descriptive quantitative approach, where this research was conducted by managing data in the form of numbers processed with the SPSS application. The sample from this study was 31 samples with an observation sample of 155 samples (2015 -2019). The results of this study are that Earning Per Share has no effect on stock returns, but Net Profit Margin has a significant effect on stock returns. The Net Profit Margin value will show sales success and achievement of the company's profit target, this will motivate investors to invest because they expect a good return.

Keywords : *Earning Per Share, Net Profit Margin, Stock Return*

JEL Classification :

1. INTRODUCTION

Property and real estate companies are currently companies that investors want to invest in. The very rapid development is what attracts the interest of investors. The need for a place to live by the community has made property companies and investors compete to develop new ideas and innovations in the form of convenience and comfort. As can be seen, currently the housing sector, apartments, shopping centers and office buildings are growing rapidly.

The results of an investment can be measured by stock returns, it is very important for investors to obtain maximum returns. In this case investors must be able to assess and carry out financial analysis properly and accurately. The information used in this case is the company's financial performance so that investors can make the right decision.

The most effective way of analyzing finances is to calculate financial ratios, namely Earning per share and Net profit Margin.

Earning per share (EPS) can indicate the level of company welfare, if the Earning per share (EPS) distributed to investors is high then it indicates that the company is able to provide a good level of welfare to shareholders , while the Earning per share (EPS) distributed is low then indicates that the company failed to provide benefits as expected by

shareholders. The higher the EPS value, the happier the shareholders will be because the greater the profit provided to the shareholders. With increasing profits, stock prices tend to rise whereas when profits decrease, stock prices also fall, this will also be followed by changes in high net stock returns as well.

A high net profit margin indicates the company's ability to generate high profits at a certain level of sales, a low net profit margin indicates sales that are too low for a certain level of costs. In general, a low ratio can indicate management inefficiency. This means that the greater the ratio, the better, because it is considered that the company gets a high net profit. This gives confidence to investors to own the company's shares which in turn can increase stock returns in the future. That way the company's management will maximize the company's performance to achieve profits.

PT. Bumi Serpong Damai, Tbk in 2017-2018 the number of outstanding shares did not increase or decrease while the company's share price decreased by IDR 445 or 35.45 %. The higher the EPS value, the happier the shareholders will be because the greater the profit provided to the shareholders. With increasing profits, stock prices tend to rise whereas when profits decrease, stock prices also fall, this will also be followed by changes in stock returns.

2. LITERATURE REVIEW

Agency theory (*agency theory*), namely the relationship between 2 parties that The first is the owner (*principal*) and the second is management (agent). agency theory states that if there is a separation between the owner as the principal and managers as agents who run the company will then appear agency problems because each of these parties will always try to maximize its utility function . However, with the development of an increasingly large company, it results in frequent conflicts between owners and management, in this case the shareholders (investors) and agents represented by management (directors). In a company, the relationship between principal and agent is manifested in the relationship between shareholders and managers. Shareholders act as principals while managers act as agents. This relationship creates a contract between shareholders and managers. Stock return is a reward from investment activities , both what has happened (*realized return*) and what will happen (*expected return*). The more we invest, the more rewards we will get.

Return is intended as a return on investment that has been made, both what has happened and what will be in the future. This means that if we invest the profits we can receive now and in the future. Return is one of the motivations of investors in investing. Therefore, return is the center of attention including the dimensions in it. Therefore stock returns are very beneficial for

investors because it is the expected rate of return on investment which aims to increase investor profits in investing in stocks. Stock returns in this study are the same as capital gains, namely by calculating the difference in stock prices for the current period with the previous period.

Earning per share is the net profit per share obtained by shareholders from the operations carried out by a company. The higher the value of each share, the higher the profit will be. EPS is used to show how much profit is generated per share outstanding. Per share will generate profit or profit. In general, company management, common stockholders and prospective shareholders are very interested in earnings per share (EPS), because it reflects the amount of rupiah earned for each common share.

Net profit margin is the ratio that measures net profit to sales achieved by the company. Shareholders will get high profits if the company has good performance. Good performance will be able to increase high profits as well. As for the factors that affect the net profit margin, namely:

1. The fluctuation of the number of units sold and the selling price per unit;
2. The rise and fall of the cost of goods sold;

The purpose of using the net profit margin ratio is:

1. To calculate or calculate the profit earned by the company for a certain period;
2. To assess the company's profit position in the previous year with the current year;

3. RESEARCH METHOD

This research uses a quantitative approach, where this research uses numbers starting from collecting data, interpreting the data obtained and presenting the results. The object of this research is a property and real estate company. There are 50 companies engaged in the property and real estate sector on the Indonesian stock exchange, the sample in this study was carried out by purposive sampling, namely sampling with certain criteria so that a sample of 31 companies was obtained, the sample taken was in the form of company financial reports from 2015-2019 or the observation sample is 155 samples (5 x 31).

The variables of this study are 3 variables, namely stock returns as the dependent variable and earnings per share and net profit margin as independent variables. The data collection technique used is the documentation technique. Documentation, namely using accurate evidence from recording specific sources of information from writings and books. The type of data is

secondary data. Secondary data is data obtained through other parties, not directly obtained from researchers from research subjects.

The data analysis technique was performed using multiple linear regression. The requirement for carrying out multiple linear regression is to first perform a classical assumption test, then perform a hypothesis test.

4. RESULTS AND ANALYSIS

Research result

Descriptive statistics

Table: Results of Descriptive Statistical Analysis

Variable	Min	Max	Means	Std. Dev
Stock returns	-0.92	2.63	-0.0084	0.58780
EPS	-13.69	904.54	116.38	184,253
NPM	0.23	6.71	2.1753	1.36675

1. Based on the test results in table 4.2 it is known that stock returns have a minimum value of -0.92 and a maximum value of 2.63. Meanwhile, the average value (mean) is -0.0084 and the standard deviation is 0.58780.
2. Based on the test results in the table it is known that the Earnings Per Share value as indicated by the EPS proxy has a minimum value of -13.69 and a maximum value of 904.54 yes. Meanwhile, the average value (mean) is 116 .3803 and the standard deviation is 184.25355.
3. Based on the test results in the table it is known that the Net Profi Margin (NPM), which is indicated by the NPM proxy, has a minimum value of 0.23 and a maximum value of 6.71. Meanwhile, the average value (mean 2.1753 and a standard deviation of 1.36675.

Classic assumption test

Normality test

Based on the results of the normality test using the Kolmogorov-Smirnov test, it shows a normal distribution. Based on the SPSS output results, the Asymp. Sig. (2-tailed) of 0.183 far above 0.05 indicates that the data is normally distributed.

Multicollinearity Test

The results of the calculation of the tolerance value show that the independent variables have a tolerance value of > 0.10 , which means there is no correlation between the independent variables. The results of calculating the value of the variance inflation factor (VIF) also show

the same thing where the independent variable has a VIF value <10, so it can be concluded that the regression model in this study did not have multicollinearity.

Autocorrelation Test

In the autocorrelation test it can be seen that the DW value is 1.982. This indicates that there is no autocorrelation between the independent variables, so the regression model is feasible to use.

Heteroscedasticity Test

Based on the Glejer test that has been done, it can be seen that the significance value of Earnings Per Share is 0.527, and the Net Profit Margin value is 0.089. When viewed from the significance value, heteroscedasticity was not detected because the significance value was above 0.05 or 5%, so it can be concluded that the regression model in this study did not occur heteroscedasticity.

Multiple Linear Regression Test

$$Y = a + b_1 \text{EPS} + b_2 \text{NPM} + e$$

Table: Multiple Linear Regression Test Results

Unstandardized Coefficients			Standardized Coefficients		
Model	B	std. error	beta	t	Sig.
1 (Constant)	0.391	0.131		-2.981	0.004
EPS	0.002	0.000	-0.141	-1.352	0.180
NPM	0.009	0.043	0.021	0.211	0.034

$$Y = a + 0.002\text{EPS} + 0.009 \text{NPM} + e$$

Based on the regression equation model in Table it can be concluded that Earnings Per Share has a regression coefficient of 0.009. This shows that if Earnings Per Share has a positive relationship to Stock Return. Variable Net Profit Margin has a regression coefficient of 0.009. This shows that if the Net profit margin has a positive relationship to Stock Return.

Hypothesis Test Results

Table: Hypothesis Test

Unstandardized Coefficients			Standardized Coefficients		
Model	B	std. error	beta	t	Sig.
1 (Constant)	0.391	0.131		-2,981	0.004

EPS	0.002	0.000	-0.141	-1,352	0.180
NPM	0.009	0.043	0.021	0.211	0.034

Based on Table 4.7, the regression coefficient value of the Earnings Per Share variable is 0.002. The Earnings Per Share variable has a t count of 1.352 with a significance of 0.180. A significance value greater than 0.05 indicates that Earnings Per Share has no effect on stock returns in property and real estate companies listed on the Indonesia Stock Exchange for the period 2015 - 2019.

Based on the table, the regression coefficient value of the Net Profit Margin variable is 0.009. The Net Profit Margin variable has a t count of 0.211 with a significance of 0.034. A significance value greater than 0.05 indicates that Net Profit Margin affects stock returns in property and real estate companies listed on the Indonesia Stock Exchange for the period 2015 - 2019.

Discussion

From the results of the study it can be seen that Earning per Share has no significant effect on stock returns. This is in contrast to high Earnings Per Share which means that the company is in good condition and the company can manage and empower its assets properly. The greater EPS will show the company's ability to generate increasing net profit after tax, with increasing net profit after tax generated by the company, the total return received by shareholders will also increase. PS is used as a reference for management to determine the amount of dividends to be distributed. EPS shows the company's ability to earn profits and the ability to distribute the company's profits to shareholders. Low EPS will result in the company failing to provide the welfare expected by shareholders.

From the results of the study it can be seen that the net profit margin has a significant effect on stock returns. The value generated from the net profit margin (NPM) provides an important picture because of the success rate of sales and achievement of the company's profit targets. Shareholders will get high profits if the company has good performance. Good performance will be able to increase high profits as well.

5. CONCLUSION

Based on the results of the research and discussion above, it can be concluded that:

1. Earnings Per Share has no effect on stock returns in property and real estate companies listed on the Indonesia Stock Exchange for the period 2015 - 2019,

2. Net Profit Margin affects stock returns in property and real estate companies listed on the Indonesia Stock Exchange for the period 2015 - 2019

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