THE INFLUENCE OF EARNING PER SHARE (EPS) AND DIVIDEND PER SHARE (DPS) ON STOCK PRICE IN BANKING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) IN 2017-2021 WITH INSTITUTIONAL OWNERSHIP AS A MODERATING VARIABLE

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ABSTRACT

The study, "Effect of Earning Per Share (EPS) and Dividend Per Share (DPS) on Stock Prices in Banking Companies Listed on the Indonesia Stock Exchange (IDX) with Institutional Ownership as Moderating Variables" has been conducted for the period 2017 to 2021 (5 years) from 11 selected banking sectors on the Indonesia Stock Exchange. Causal relationships were examined with a multiple linear regression model using SPSS 16. The Moderating Variable Test was used to test the moderating variable to check whether or not can variable Z influence variable X. Research has revealed a significant effect of EPS and DPS on stock prices and institutional ownership is unable to moderate the effect of EPS and DPS on stock prices.
Keywords*: Stock Price, Earning Per Share (EPS), Dividend Per Share (DPS)*

INTRODUCTION

Stocks are a means for potential investors to allocate funds as a form of investment. Even today, many potential investors are very interested in investing their capital in the form of an investment portfolio because it is more practical and does not require certain permits. Assessment of company performance in fundamental analysis can be seen from the financial factors in which there is analysis in the form of financial ratios. The basic thing used to analyze company performance is Earning Per Share (EPS) indicating the amount of company net profit that will be distributed to all investors (Darnita 2014).

The facts show that the rise and fall of EPS and DPS results in changes in the stock price level. The phenomenon that occurs is where the higher the EPS and DPS, the better the company's valuation. The company's valuation shows whether the company is good or not in terms of quality and the better the company, of course, will encourage its share price to continue to rise.

In this study, the authors added institutional ownership as a moderating variable. Institutional ownership added to this study is measured according to the percentage of share ownership by corporate and government institutions. Institutional ownership is the number of shareholdings owned by institutions.

LITERATURE REVIEW

Agency theory is a branch of game theory that studies the scheme of contracts to motivate rational agents to act according to the will of the principal. Agency relationships exist when one party (principal) hires another party (agent) to perform services and in that case, the principal delegates authority to the agent to make decisions.

Signaling Theoryis a behavior of company management in giving instructions to investors regarding management's views on a company's prospects for the future (Brigham 2014: 184). Stock priceis the closing price (closing price) of each stock sample during the observation period and its movements are always of interest to investors. The stock price also shows the value of the company. The higher the price value, the better the stock performance. (Widoatmodjo 2012:45).

Earning Per Share or income per share is a form of profit sharing given to shareholders from each share owned (Fahmi 2017: 138). The EPS ratio measures how much a company's net profit is contained in one outstanding share.

*Dividend Per Share (DPS)*is the ratio that shows the amount of income per share (Syamsudin, 2013: 67). DPS compares the total dividends distributed with the number of outstanding shares. The size of the DPS value shows the company's ability to produce certainty about how much dividends obtained per share owned by investors from the invested capital.

institutional ownershiprepresents the number of shareholdings owned by institutional parties. Institutional ownership includes insurance companies, banks and investment companies and other ownership except for subsidiaries and other institutions that have special relationships (affiliated companies and associated companies) (Setyaningsih 2018).

2.2 Financial Performance

Financial performance is a financial analysis that is primarily carried out to evaluate past financial performance by conducting various analyses, in order to obtain a company's financial position that represents the reality of the company and its ability to sustain its performance in the future. The benefit of financial performance for the company is to find out how far the development of the company has been achieved in each certain period which will be used as a basis for planning for the company in the future. A bank's financial performance is an illustration of a bank's financial condition in a certain period, both in terms of raising funds and channeling funds. Bank financial performance has the following important meanings: 1) As a measure of the success of financial management, especially liquidity conditions, capital adequacy, operational efficiency, asset quality and profitability; 2) As a measure to determine a bank's ability to utilize all of its assets in generating profit efficiently (Nasfi, 2020). The progress of the Islamic People's Financing Bank (BPRS) is assessed not only from asset growth, market share and operational activities, but also needs to be measured from the financial aspect.

2.3. Debt to Equity Ratio

Debt to Equity Ratio (DER) is a measure of a company's financial position in a financial ratio that compares total debt to equity. The total debt and equity used for the company's operations must exist in a proportionate amount. The Debt to Equity Ratio (DER) value can be used as a reference for assessing financial health, if the ratio value increases then company financing is obtained from creditors and not from the company's own financial sources. This can be a warning to company owners and management that a high Debt to Equity Ratio (DER) value/exceeds the amount of equity indicates excessive use of debt, thereby reducing profit/profit (Masrizal et al., 2020).

The Debt to Equity Ratio (DER) is classified as a solvency ratio, namely the ability of a company to fulfill all debts/obligations by using all of its capital. Debt to equity ratio (DER) using "times" or "percentage" units, so that a financially healthy company is indicated by an ideal debt-to-equity ratio (DER) that is less than 1 or 100%.
DER = TOTAL DEBT / TOTAL EQUITY X 100%
The debt to equity ratio (DER) assessment is as follows:
a. The lower the Debt to Equity Ratio (DER), the better it shows that the total debt/liabilities of the company is less than the total equity of the company, so that in an unwanted situation (such as bankruptcy) the company still has the ability to pay off all debts/liabilities.
b. The higher the Debt to Equity Ratio (DER) will cause losses, which shows that the composition of the total debt/liability is greater than the total net capital, causing a large corporate burden for foreign parties. If the company is unable to manage/pay properly and optimally the debts that must be repaid, both short-term and long-term debt, this will have a negative impact on the company's financial condition.

DER (Debt to Equity Ratio) can indicate the level of financial independence of a company against debt. For companies, the amount of debt should not exceed operating capital so that the burden is not too high. The smaller the Debt to Equity Ratio portion, the safer it is. This indicator is

monitored by bankers as a measure of a company's ability to pay off its debts and the easier it is to obtain financing from investors. Company leaders must be careful in taking capital so that the ratio of debt to equity does not appear high. In most companies today, an acceptable debt to equity ratio (DER) is around 1.5 to 2 times. For companies that have gone public, an acceptable debt-to-equity ratio is double or more. A high Debt to Equity Ratio (DER) will indicate that the company is unable to generate sufficient funds to fulfill its debt obligations obligations/debts. However, a low Debt to Equity Ratio (DER) value also indicates that the company is unable to increase profits.

2.4. Profit Sharing Ratio

Profit Sharing Ratio (PSR) is a profit sharing calculation ratio which is a business agreement between the parties providing funds (shahibul maal) and also managing funds (mudharib) based on the profits of the fund manager, namely operating income minus operating expenses. PSR has a goal, namely to measure the extent to which the fund manager has succeeded in achieving the existential goal of obtaining profit sharing in accordance with the terms agreed through a mudharabah contract (Fitri et al., 2020).

Factors that affect the profit sharing system are as follows:

1) Level of Competition With a tighter level of competition, the profits that will be obtained will be smaller, and vice versa if the competition is not tight, the profits will be even greater.
2) Composition of Funding Basically, most of the funding of Islamic banks is obtained from third party funds, so the terms of profit will differ according to the composition of the funding.
3) Financing Risk Islamic banks will take greater profits in financing sectors that choose high risk.

The Profit Sharing Ratio system in its implementation is a form of cooperation agreement in carrying out economic business activities, where both parties will be bound by a contract that in this business if profits will be shared between the two parties according to the ratio agreed at the beginning of the agreement. Profits from the results of operations will be distributed after calculating in advance the costs incurred during the business process. Business profits can be negative, meaning a loss, positive, meaning there is an excess of income minus costs, and zero, meaning that the income and costs are in balance. The profit shared is the net profit which is the excess of the difference in the reduction of total cost to total revenue.

METHODS

This research activity was carried out in banking companies listed on the Indonesia Stock Exchange (IDX). The research was conducted from December 2022 to July 2023. The data in this study is secondary data which can be found on the website www.idx.co.id. The causal relationship was examined using a multiple linear regression model using SPSS 16 . The Moderating Variable Test is used to test the moderating variable to check whether or not variable Z is able to influence variable X. Research has revealed a significant effect of EPS and DPS on stock prices and institutional ownership is unable to moderate the effect of EPS and DPS on stock prices.

RESULTS AND DISCUSSION

4.1. Analysis of the Coefficient of Determination

The coefficient of determination () is a value (proportion value) that measures the ability of the independent variables used in the regression equation to explain the variation of the dependent variable. R^2

Table 1. Summary modelb

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	.813a	.661	.648	.70364	1,526

a. Predictors: (Constant), DPS (X2), EPS (X1)

b. Dependent Variable: HS (Y)

Based on Table 1, it is known that the coefficient of determination (R-Square) is 0.661. This value can be interpreted that the variables EPS (X1) and DPS (X2) simultaneously or simultaneously are able to influence HS (Y) by 66.1%, the remaining 39.9% is explained by other variables or factors.

a. Partial Effect Significance Test (t test)

Table 2. presents the value of the regression coefficient, as well as the statistical value of t for partial effect testing.

Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	std. Error	Betas	Q	Sig.	tolerance	VIF
1 (Constant)	6,430	.150		42,833	.000		
EPS(X1)	003	001	.503	5,385	.000	.746	1,341
DPS (X2)	.004	001	.434	4,641	.000	.746	1,341

a. Dependent Variable: HS (Y)

Source: Data processed by Researchers in 2023

Based on Table 4.7, the following results are obtained.

1. It is known that the regression coefficient value of the EPS variable (X1) is 0.003, which is positive. This means that EPS (X1) has a positive effect on HS (Y). It is known that the statistical t or t count of EPS (X1) is 5,385 and the value of Sig. is 0.000, i.e. <0.05 significance level, then EPS (X1) has a significant effect on HS (Y). So it can be concluded that EPS (X1) has a positive and significant effect on HS (Y) (Hypothesis Accepted).

2. It is known that the regression coefficient value of the DPS variable (X2) is 0.004, which is positive. This means DPS (X2) has a positive effect on HS (Y). It is known that the statistic t or t count of DPS (X2) is 4,641 and the value of Sig. is 0.000, i.e. < 0.05 significance level, then DPS (X2) has a significant effect on HS (Y). So it can be concluded that DPS (X2) has a positive and significant effect on HS (Y) (Hypothesis Accepted).

b. Simultaneous Effect Significance Test (Test) F

The F test aims to examine the effect of the independent variables jointly or simultaneously on the dependent variable HS (Y).

Table 3. Calculated F

ANOVA b

Model	Sum of Squares	Df	MeanSquare	F	Sig.
1 Regression	50,257	2	25.129	50,754	.000a
residual	25,745	52	.495		
Total	76,003	54			

a. Predictors: (Constant), DPS (X2), EPS (X1)

b. Dependent Variable: HS (Y)

Source: Data processed by Researchers in 2023

Based on Table 4.6, it is known that the calculated F value is 50.754, and the Sig. is 0.000. It is known that the F count is 50.754 > the F table value is 3.175 and the Sig. 0.000 <0.05, then EPS (X1) and DPS (X2) simultaneously or together have a significant effect on HS (Y).

CONCLUSION

Based on the results of the study, it can be concluded that Earning Per Share and Dividend Per Share simultaneously affect the stock prices of banking companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period. Meanwhile, Institutional Ownership is unable to moderate the effect of Earning Per Share and Dividend Per Share on Share Prices in Banking companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period.

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