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The Effect of Earning Per Share (EPS) and Dividend Per Share (DPS) on Share Prices

Deni Sunaryo

Universitas Serang Raya
*email: *denisunaryomm@gmail.com*

Abstract

The purpose of this research was analyzing the effect of Earnings per Share (EPS) and Dividend Per Share (DPS) on Stock Price because of the gap in previous studies. The population in this study were 19 automotive and spare parts industrial companies listed on the Southeast Asian Stock Exchange for the 2014-2018 period. The method used is purposive sampling so that 11 companies that present complete financial reports according to the variables studied and obtained as many as 55 company samples. The analysis techniques used are multiple linear regression analysis, partial test (t test), simultaneous test (F test). The results showed that partially EPS had a significant effect on stock prices while DPS had no significant effect on stock prices. But simultaneously EPS and DPS have a significant influence on the stock prices of the automotive and spare parts subsector companies in Southeast Asia. The company should be able to manage your income properly. For further research can expand the variables and dimensions, examine with the observation period of data is long and the latest as well as using testing methods different stats so that can give research results a more accurate and different.

Keywords: *Earning Per Share (EPS), Dividend Per Share (DPS) and Stock Prices.*

1. Introduction

The prospectus of the business and investment world is full of challenges, especially stock investment. Stocks can provide a large potential gain or loss from other types of investment. An investor must be able to identify stocks that will benefit or lose him. Therefore, an investor must be able to assess stocks carefully. One of the attractive stocks to invest in is an automotive company. Automotive companies have been growing in recent years, especially in Southeast Asia. When sales increase, the company's profit will continue to increase so that the demand for shares will continue to increase and the share price will continue to increase. With the increase in profit, the company's EPS and DPS will also increase. When the company's EPS and DPS increase, it will attract investors to invest their funds, because usually investors will first see the development of the company's EPS and DPS that they will invest in, which will be the main capital for investors' confidence to invest. On the other hand, if the company has poor performance and produces poor EPS and DPS, investors will be less interested in investing their funds. The stocks of the automotive sub-sector are very interesting to observe because of the high consumer interest in buying vehicles which is supported by high purchasing power. This sub-sector stock is also said to be still prospective in the long term, so it is interesting to study. The company's performance will be examined through two ratios, namely Earning Per Share (EPS) and Dividend Per Share (DPS).

Earnings Per Share (EPS) is a form of giving benefits to shareholders from each share they own. Earnings Per Share (EPS) is an indicator of the success that the company has achieved in creating profits for shareholders. The level of profit generated per share owned by investors will affect the investor's assessment of an issuer's company performance. A low ratio means that management has not succeeded in satisfying shareholders, on the contrary, with a high ratio, the welfare of shareholders increases in another sense, that the rate of return is high.

Apart from Earning Per share, the thing that must be considered is information about dividends. Dividend Per Share (DPS) is the distribution of company profits to shareholders in an amount proportional to the number of shares owned. Companies with larger and more stable dividends than similar companies will certainly be more attractive to investors, so that the demand for company shares will increase, and by itself will increase share prices.

In predicting stock prices other than EPS and DPS, factors that can affect stock prices include analysis of the company's financial ratios such as liquidity ratios, profitability ratios or profitability, solvency ratios or leverage ratios, and activity ratios.

Research on Earning Per Share and Dividend Per Share has been carried out by previous researchers including (Irwadi, 2014) that partially DPS has no effect on stock prices and EPS has an influence on stock prices, while simultaneously EPS and DPS have an influence on stock prices. In the study (Damayanti et al., 2014) that DPS and EPS partially and simultaneously have a significant effect on stock prices. In researchers (Pangemanan & Talamati, 2015) that partially EPS influences stock prices while ROE has no effect on stock prices, and simultaneously EPS and ROE have an effect on stock prices.

In research (Khairani, 2016) that partially or simultaneously there is no influence between EPS and DPS on stock prices. In research (Balakrishnan, 2016) that partially EPS has an effect on stock prices while DPS and PER have no effect on stock prices and simultaneously EPS, DPS, and PER have no effect on stock prices. In research (Yunarni et al., 2017) that EPS has an effect on stock prices, while DPS and FL have no effect on stock prices and simultaneously EPS, DPS, and FL have no effect on stock prices. In research (Leonardo & Limajatini, 2018) that both partially and simultaneously DPS, EPS and PER influence stock prices.

In research (Ahmed, 2018) that partially and simultaneously EPS and DPS influence stock prices. In research (Lilianti, 2018) that partially and simultaneously EPS and DPS influence stock prices. In the research (Parhusip & Udjang, 2019) that partially DPS and NPM influence stock prices while EPS has no effect on stock prices and simultaneously DPS, EPS and NPM have no effect on stock prices. In research (Irtan, 2020) that EPS and DPS partially affect stock prices, while ROE has no effect on stock prices and simultaneously EPS, DPS and ROE have a significant effect on Islamic stock prices.

2. Literature Review

Earnings Per Share (EPS)

According to (Irham Fahmi, 2015: 82) Earning Per Share or income per share price is a form of giving profit to shareholders from each share owned.

Earnings Per Share formula

According to (Irham Fahmi, 2015: 83), the formula for finding Earning Per Share (EPS) can use the following formula:

$$\text{EPS} = \frac{\text{Income After Tax}}{\text{Number of shares outstanding}}$$

Dividend Per Share (DPS)

According to Tandelilin (2010: 384) in the journal (Lilianti, 2018) Dividend per share is a ratio that measures how much dividends are distributed compared to the number of shares outstanding in a certain year.

Dividend Per Share Formula

According to Tandelilin (2010: 384) in the journal (Lilianti, 2018) to calculate Dividend Per Share (DPS), you can use the formula:

$$\text{DPS} = \frac{\text{Cash Dividend}}{\text{Number of Outstanding Shares}}$$

Stock

According to (Rusdin, 2008: 68) explaining the meaning of shares is a certificate that shows proof of ownership of a company, and shareholders have the right to claim the company's income and assets.

According (Irham Fahmi, 2015) explains the meaning of shares by dividing them into 3 as follows:

1. Proof of ownership of capital or funds in a company.
2. Paper listed clearly on the nominal value, company name and followed by rights and obligations explained to each holder.
3. Inventory that is ready to be sold.

Stock Price

According to Anoraga (2006: 29) in the journal (Leonardo & Limajatini, 2018) the market price is the real market price, and is the easiest price to determine because it is the price of a share in the ongoing market, or if the market is closed, the price market is the closing price.

Thought and Hypothesis Framework

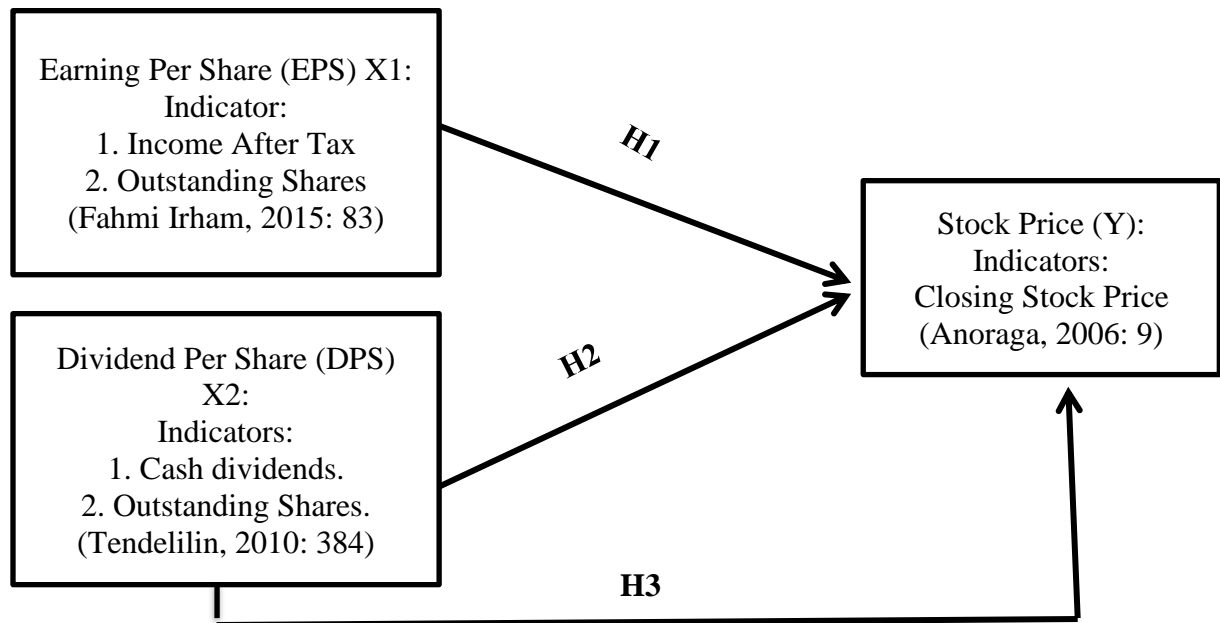


Figure 1. Framework

Hypothesis

- H1: There is a significant influence between Earning Per Share (EPS) on share prices in automotive and spare parts industrial companies listed on the Southeast Asian Stock Exchange for the 2012-2018 period. This hypothesis has been researched by (Irwadi, 2014), (Damayanti et al., 2014), (Pangemanan & Talamati, 2015), (Balakrishnan, 2016), (Leonardo & Limajatini, 2018), (Ahmed, 2018), (Lilianti, 2018), (Irton, 2020).
- H2: There is a significant influence between Dividend Per Share (DPS) on share prices in automotive and spare parts industry companies listed on the Southeast Asian Stock Exchange for the 2012-2018 period. This hypothesis has been carried out by (Damayanti et al., 2014), (Leonardo & Limajatini, 2018), (Ahmed, 2018), (Lilianti, 2018), (Irton, 2020).
- H3: There is a significant influence between Earning Per Share (EPS) and Dividend Per Share (DPS) on share prices in automotive and spare parts industry companies listed on the Southeast Asian Stock Exchange for the 2012-2018 period. This hypothesis has been carried out by (Irwadi, 2014), (Damayanti et al., 2014), (Leonardo & Limajatini, 2018), (Ahmed, 2018), (Lilianti, 2018), (Parhusip & Udjang, 2019), (Irton, 2020).

3. Methodology

The research method is defined as a scientific way to obtain data with specific purposes and uses (Sugiyono, 2017: 8). In this study, a quantitative method was used and the sample was taken using purposive sampling. Samples were obtained from automotive and spare parts industry companies registered in Southeast Asia, as many as 11 companies that presented complete financial reports related to the variables studied in the 2014-2018 period and obtained 55 samples. The following is the sample data in the study:

Table 1. List of Research Samples

No	Country	Code	Company Name	Period
1		AUTO	Astra Otoparts Tbk	2014 – 2018
2		ASII	Astra Internasional Tbk	2014 – 2018
3	Indonesia	IMAS	Indomobil Internasional Sukses	2014 – 2018
4		BRAM	Indo Kordsa Tbk	2014 – 2018
5		SMSM	Selamat Sempurna Tbk	2014 – 2018
6		APM	Automotive Holdings Berhard	2014 – 2018
7	Malaysia	MBM	MBM Resources Berhard	2014 – 2018
8		UMW	UMW Holdings Berhard	2014 – 2018
9		ACMA	ACMA Ltd	2014 – 2018
10	Singapura	JCC	Jardine Cycle & Carriage	2014 – 2018
11		LTN	Tan Chong Internasional LTD	2014 – 2018

The dependent variable in this study is the stock price ratio, while the independent variable is Earning Per Share (EPS) and Dividend Per Share (DPS). The method of analysis used in this study is Multiple Regression Analysis.

4. Result and Discussion

Descriptive Statistics

Table 2. Descriptive Statistical Results

	Descriptive Statistics								
	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
EPS	55	2.051	- .651	1.400	5.513	.10024	.039862	.295622	.087
DPS	55	.209	.001	.210	1.535	.02791	.006455	.047869	.002
HARGA_SAHAM	55	59.70	.00	59.70	459.43	8.3532	2.35800	17.48738	305.808
Valid N (listwise)	55								

(1) Earning Per Share (EPS) has a maximum value of 2,051 with a minimum value of -0.651. The mean (average) value is 0.10024 and the standard deviation value is 0.295622. (2) Dividend Per Share (DPS) has a maximum value of 0.209 with a minimum value of 0.001. The mean (average) dividend per share is 0.2791 and the standard deviation value is 0.47869. (3) valid data for share prices are 55 with a maximum value of 59.70 and a minimum value of 0.00. The mean (average) value of the stock price is 8.5352 and the standard deviation value is 17.48738.

Classic Assumption Test

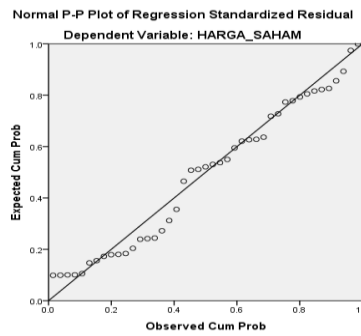


Figure 1. Data normality Test Results

The results of the normality test show that the point spreads around the diagonal line and follows the direction of the diagonal line, so the regression model fulfills the assumption of normality.

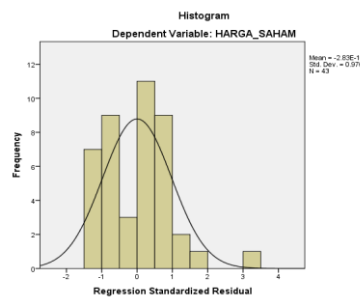


Figure 2. Data Normality Test Results

The results of the histogram normality test provide a distribution pattern with a graph that forms a bell and follows the diagonal line, which means that the normality test is fulfilled or the data is normally distributed.

Autocorrelation Test

Table 3. Autocorrelation Test Results

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.412 ^a	.170	.128	.25220	2.330

a. Predictors: (Constant), DPS, EPS

The autocorrelation test results show the Durbin watson (DW) value of 2.330 which indicates that the DW value is between dU (1.60905) to 4-dU (2.39095). The DW value is in an area where there is no positive or negative autocorrelation.

Heteroscedasticity Test

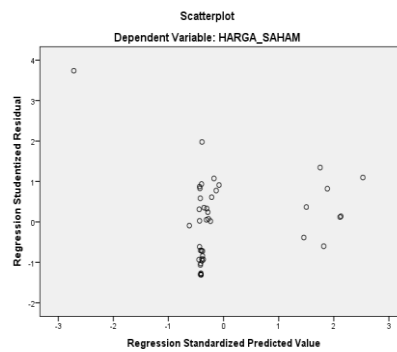


Figure 3. Heteroscedasticity Test Results

Heteroscedasticity test results show that the data has spread below and above zero and does not form a pattern. Thus, the regression model proposed in this study did not occur symptoms of heteroscedasticity.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.382	.044		8.597	.000		
	lag_EPS	.389	.163	.356	2.397	.021	.999	1.001
	lag_DPS	.820	1.039	.117	.789	.435	.999	1.001

Based on the table above, it can be seen that all independent variables, namely Earning Per Share (EPS) and Dividend Per Share (DPS) have a greater tolerance value > 0.10 and a VIF value that is below <10. Thus, the multicollinearity test is fulfilled.

Simultaneous Significance Test (Test F)

Table 5. F Test Results

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.520	2	.260	4.089	.024 ^b
	Residual	2.544	40	.064		
	Total	3.064	42			

The results of the F test show that the calculated F value is greater than the F table value, namely $4.089 > 3.23$, and the significance value is smaller than 0.05 ($0.024 < 0.05$). It means that all X variables simultaneously influence Y.

Determination Coefficient Test (F Test)

Table 5. F Test Results

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.412 ^a	.170	.128	.25220	2.330

a. Predictors: (Constant), DPS, EPS

From the table above, the R2 value shows that the Y variable is affected by all X variables by 17%, the remaining 83% is influenced by other variables outside of this study.

Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.382	.044		8.597	.000		
	lag_EPS	.389	.163	.356	2.397	.021	.999	1.001
	lag_DPS	.820	1.039	.117	.789	.435	.999	1.001

In the table above presents the test results from multiple linear regression analysis. Judging from the test of the multiple linear regression analysis above, the equation for the multiple linear regression model can be made as follows:

$$Y = 0.382 + 0.389EPS + 0.820DPS + e$$

From the equation above, the multiple linear regression model can describe:

- (1) The value of β_0 or a constant of 0.382 indicates that if the independent variable is zero (0) or omitted, then the share price is 0.382.
- (2) The Coefficient of Earning Per Share (EPS) of 0.389 indicates that each addition of one unit of Earning Per Share will be followed by a share price of 0.389.
- (3) Dividend Per Share (DPS) coefficient of 0.820 indicates that each additional dividend per share of one unit, will be followed by an increase in share price of 0.820.

T test (Partial Regression Test)

Table 8. Result of t Test (Partial Regression Test)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.382	.044		8.597	.000		
	lag_EPS	.389	.163	.356	2.397	.021	.999	1.001
	lag_DPS	.820	1.039	.117	.789	.435	.999	1.001

(1) From Ln t, the EPS is 2.397 while the t-table value with a confidence level of 95% or (α : 0.05) is 2.02108 because t count > t table or a significance level of $0.021 < 0.05$ then H1 is accepted, which means Earning Per Share (DPS) has a significant effect on stock price. (2) at DPS 0.789 while the t-table value with a confidence level of 95% or (α : 0.05) is 2.02108 because t count < t table or a significance level of $0.435 > 0.05$ then H2 is rejected, which means Dividend Per Share (DPS) does not have a significant effect on stock price.

First Hypothesis

The first hypothesis is to find out whether there is an effect of Earning Per Share (EPS) on stock prices. From table 4.11, it is obtained that t count is 2.397 and t table is 2.02108. The significant value is 0.021, which means that there is a positive influence between the variable Earning Per Share (EPS) on stock prices. The results of this study are in line with research (Irwadi, 2014), (Damayanti et al., 2014), (Pangemanan & Talamati, 2015), (Balakrishnan, 2016), (Yunarni et al., 2017), (Leonardo & Limajatini, 2018), (Ahmed, 2018), (Lilianti, 2018), (Irton, 2020) which states that there is a significant influence between Earning Per Share (EPS) on stock prices.

Earnings Per Share is influenced by company revenue, if the company's revenue is high, the value of Earnings Per Share will also be high, and vice versa. This will affect the stock price, because the stock price movement has an initial effect on the company's earnings. High earnings per share illustrates that the company is able to provide a better level of welfare to shareholders (Darmadji and Fakhuddin, 2006: 139) in a journal (Irwadi, 2014). The increase or decrease in EPS from year to year is an important measure to determine whether or not the company's stockholders are doing well. In theory, the higher the EPS, the stock price tends to rise. EPS shows the amount of rupiah earned for each common stock and the company's future earnings prospects. In theory, the higher the EPS, the stock price tends to rise. An increase in EPS will encourage investors to increase the amount of capital invested in the company, so that the demand for these shares increases which results in an increase in stock prices.

Second Hypothesis

The second hypothesis is to find out whether there is an effect of dividend per share (DPS) on stock prices. From table 4.11, it is obtained that t count is 0.789 and t table is 2.02108. The significant

value is 0.435, which means that there is no positive influence between the Dividend Per Share (DPS) variable on stock prices. The results of this study are in line with (Irwadi, 2014), (Khairani, 2016), (Balakrishnan, 2016), (Yunarni et al., 2017) which state that Dividend Per Share (DPS) has no significant effect on stock prices. Based on the multiple linear regression equation, it shows that DPS has an opposite relationship with the company's stock price, it means that an increase in DPS will not affect stock prices.

DPS does not affect stock prices in this study because many companies do not pay dividends. The absence of DPS value is due to companies turning their profits into retained earnings with several considerations. Retained earnings are usually used by the company for operational activities, company expansion or to pay the company's obligations that are due.

Companies with high DPS compared to similar companies will be more attractive to investors because investors will get certainty about income in the form of dividends, either in the form of cash dividends or stock dividends. By increasing the DPS, it will attract investors to buy shares. With the number of shares purchased, it can cause the company's stock price to rise.

Third Hypothesis

Judging from the research simultaneously (Test F) it is known that the variables Earning Per Share (EPS) and Dividend Per Share (DPS) on stock prices. This can be seen from the significance value in table 4.7 which is equal to $0.024 < 0.05$, which means that the independent variable has a significant effect on the dependent variable. The results of this study are in line with (Irwadi, 2014), (Damayanti et al., 2014), (Leonardo & Limajatini, 2018), (Ahmed, 2018), (Lilianti, 2018), (Irton, 2020) which states that EPS and DPS has a significant effect on stock prices.

The effect of EPS and DPS on stock prices in the automotive sector and spare breadfruit in this study because when EPS and DPS increase, it will attract investors to buy these shares. When the demand for shares continues to increase, it will be followed by an increase in share prices. This law corresponds to supply and demand.

5. Conclusion

This study aims to determine how much the influence of Earning Per Share (EPS) and Dividend Per Share (DPS) on stock prices in automotive and spare parts industrial companies in the period 2014 - 2018. The t test results show that H_a is accepted, and H_o is rejected, meaning that there is a significant influence between Earning Per Share on stock prices. The t test results show that H_a is rejected, and H_o is accepted, meaning that there is no significant effect between Dividend Per Share on stock prices. The results of the F test show that H_a is accepted, and H_o is rejected. This means that there is a significant influence between Earning Per Share (EPS) and Dividend Per Share (DPS) on stock prices.

The company must manage and increase its income such as increasing sales, so that the profit will continue to increase the welfare of the shareholders of the shares increases, this will be a special attraction for investors. With so many investors investing their capital, it will affect the stock price which will continue to increase. Companies must provide investors with accurate information about the development of their company, thereby increasing investor confidence. Company management must continue to improve company performance to provide investors with confidence by providing clear and easy information for investors. Investors need to pay attention to company performance apart from the profit and dividends that the company can generate. And understand the company's long-term performance. It is hoped that the next researcher can expand the variables and dimensions,

research with a longer and more recent data observation period and use different statistical testing methods so that they can provide more accurate and different research results.

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