

# The influence of Debt Equity Ratio (DER), Earning Per Share (EPS), and Price Earning Ratio (PER) on stock price

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## Abstract

**Purpose:** This study aims to determine how the debt-to-equity ratio, earnings per share, price earning ratio, and stock prices are described in consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018. Also, to determine the effect of partially and simultaneously debt to equity ratio, earnings per share, and price earning ratio on stock prices in consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018.

**Research Methodology:** The research method used in this study is an explanatory method. The research method used in this research is explanatory. The sampling technique used in this study is non-probability sampling with a purposive sampling method so that the sample size is 34 companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the period 2016-2018. The analysis method used in this research is panel data regression analysis using Eviews 9.

**Results:** The results showed that the debt to equity ratio, earnings per share, and price earning ratio affected stock prices. Also, the research results show that the magnitude of the influence of the debt to equity ratio, earnings per share, and price earning ratio in contributing to the effect of stock prices is 98.7%.

**Limitations:** The research is limited to just a few factors, namely debt to equity ratio, earnings per share, and price-earnings ratio to stock prices. Besides, this research is only limited to companies in the consumer goods industry that are listed on the Indonesia Stock Exchange for the period 2016-2018.

**Contribution:** This research is expected to provide benefits for companies in increasing the company's share price in the capital market from several financial performance factors including debt to equity ratio, earnings per share, and price earning ratio.

**Keywords:** Debt to equity ratio, Earning per share, Price earning ratio, Stock price

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## 1. Introduction

The capital market is a place to connect investors and companies by trading securities, which generally have a lifespan of more than one year. The capital market has two functions for a country, namely economy, and finance (Tandelilin, 2010). Capital market activity is a good opportunity for the future of the country's economic growth. This is indicated by the increasing number of securities companies currently available, especially in Indonesia. With the capital market, companies that need capital or funds to carry out their activities, the public (investors) can invest in stocks (Anggraeni, 2014). Shares are also a sign of a person's or business entity's capital participation in a company or limited liability

company. Stock is an investment instrument that many investors choose because shares can provide an attractive rate of return ([Hermuningsih, 2012](#)). The components of profit or return obtained by investors from stock investment consist of Yield and Capital gain (loss). Yield is periodic cash flow (or income) on investments, either interest or dividends. Yield is a periodic gift by the company in cash to investors. This yield is the company's management policy. Yield is usually expected for long-term investment. Capital gain (loss), which is appreciation (or depreciation) in the asset price. Capital gain, which is the difference between price changes that occur when purchased and when the shares are sold at a later date. This return is expected on short-term investments ([Jones, 2004](#)).

One of the focuses of investors in buying shares is the stock price. The share price is a share prevailing in the capital market. The stock price is a factor that needs to be anal and before investing because it shows the performance of an issuer ([Tandelilin, 2010](#)). Investors have hopes for the consistency of the share price and future increases. at the time of the realization that occurred inversely to the expected expectations, which resulted in an inconsistent share. The theory says that if the company earns a high profit, then it is likely that the dividends paid are also relatively high. If the dividend paid is relatively high, which will have an impact on the high share price, this will attract investors to buy it. As a result, the demand for these shares increases, so that eventually, the price will also increase ([Halim, 2013](#)).

The theory above contradicts the facts on the ground. Based on the data obtained, it shows that some companies have experienced an increase in net income, but stock prices tend to decline. In 2017 CINT's net profit was Rp. 3,160,637 and increased in 2018 to Rp. 3,611,694, but on the other hand, the share price in 2018 decreased. PT Darya-Varia Laboratoria Tbk recorded an increase in DVNA's net profit in 2018. In 2017, the net profit was IDR 1,575,647 and increased in 2018 to IDR. 1,699,657, but on the other hand the share price in 2018 decreased ([www.idx.go.id](http://www.idx.go.id)).

PT H.M. Sampoerna Tbk recorded an increase in net profit in 2018. In 2017, HMS's net profit was Rp. 99,091 and increased in 2018 to Rp. 106,742, but on the other hand, the share price in 2018 has decreased. PT Indofood CBP Sukses Makmur Tbk recorded an increase in net profit in 2018. In 2017 ICBP's net profit was Rp. 35,606 and an increase in 2018 to Rp. 38,413, but on the other hand, the share price in 2018 has decreased. PT Indofood Sukses Makmur Tbk recorded an increase in net profit in 2018. In 2017 INDF's net profit was Rp. 70,186 and increased in 2018 to Rp. 73,394, but on the other hand, the share price in 2018 has decreased ([www.idx.go.id](http://www.idx.go.id)). From the description of the case, fluctuating share prices are of course a risk for investors. Therefore, investors must know what affects stock price fluctuations, one of which is seen from the company's financial performance. Several financial ratios allegedly affecting stock prices include DER, EPS, and PER.

## **2. Literature review and hypothesis development**

### ***Capital market***

The lender to the user in the capital market has a very important role and has a great responsibility when the default is performed by the issuer. In the Indonesia Stock Exchange, users can obtain underwriters in the form of commercial banks, investment banks, or fund brokerage firms. The Indonesian stock market, currently known as the IDX is a mix of two share exchanges that BEJ with BES ([Amy, Sri, and Daris, 2020](#)). The capital market's essentially an activity that brings together sellers and buyers of funds. The traded funds are used for a long time to support the business development of the organization or company. The capital market (capital market) is a market for buying and selling securities that are generally more than one year old, such as debt securities (bonds), equity (stocks), mutual funds ([Tandelilin, 2010](#)). So it can be seen that the capital market is a mechanism for buying and selling long-term and medium-term capital market instruments between sellers and buyers, be they individuals, corporations, or governments. long-term instruments have an important part that can improve the quality of the country's economy. Apart from being a means of investing, the capital market is also a source of funds for companies. It also plays a role in carrying out its two functions, namely economic and financial functions.

### ***Shares***

The sign of the form of ownership of the company both individual and group becomes an important meaning called shares. This becomes contributing, both individual and group rights, and has limitations of any ownership ([Roni and Didi, 2020](#)). based on thinking [Darmadji and Fakhruddin \(2012\)](#) have the opinion that stocks are divided into several categories:

1. In terms of capability in collection rights or claims
  - a. Common stock
  - b. Preferred stock
2. Judging from the way of maintenance
  - a. Bearer stock
  - b. Registered stock
3. Judging from the trading performance
  - a. Blue-chip stock
  - b. Income stock
  - c. Growth stock-well know
  - d. Speculative stocks
  - e. Countercyclical stock

### ***Stock price***

The price that's formed according to the demand and supplies at the stock buying and selling market is usually the closing price ([Tandelilin, 2010](#)). Indications of the company are said to be qualified if the value of a company's shares will continue to increase which can entice investors to invest. so that it can be interpreted that the success rate of the company's management is seen from the share price. Share prices are measured by the price of close shares until the end period. Price of close a stock's forecast for today's stock price. This theory is used by investors to analyze and try to determine stock price movements. This consideration was also taken because it was assumed that at that time investors and/or financial analysts were actively conducting fundamental analysis of recently published financial reports ([Bodie et al, 2008](#)).

### ***Financial ratio analysis***

Financial ratios are an analytical tool to explain the specific relationships between one element and another in a financial statement. Financial ratio analysis is a tool used to measure the weaknesses and strengths faced by companies in the financial sector, by comparing one number with another from a financial report ([Sutrisno, 2013](#)). According to [Harahap \(2015\)](#), several financial ratios include:

1. Ratio of liquidity demonstrates the company's skill to spend obligations in the near future.
2. Solvency/Leverage Ratio is the company's skill to spend liabilities or if the company disburses long-term debt.
3. Profitability/Profitability Ratio, which shows the company's skill to generate gains.
4. Activity Ratio is a ratio that describes the activities carried out by the company in carrying out its operations.
5. Growth Ratio is a ratio that describes the percentage increase in sales/revenue this year compared to last year.
6. Market Appraisal (*Market Based Ratio*), is the situation/state of the company's performing in the capital market.
7. Productivity Ratio is the level of productivity of the unit or activity being assessed.

### ***Debt to Equity Ratio (DER)***

DER can show investors an analysis of the company's restructuring that results in various debt risks. A large debt ratio results in a large number of assets financed by the owner of the company. also vice versa ([Dewi, 2020](#)). DER's measured using the following formula:

$$DER = \frac{\text{Total Liabilities}}{\text{Equity}} \times 100\%$$

### ***Earning per Share (EPS)***

EPS is level net gains for stock that company can achieve while running its operations. EPS describes the amount of rupiah earned by ordinary shareholders for each outstanding ordinary sheet ([Roni and Didi, 2020](#)). The purpose of calculating EPS is a ratio that measures how net income the entity generates for each share outstanding. Earning per share is measured using the following formula:

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

### ***Price Earning Ratio (PER)***

The price earning ratio (the ratio of price to p rofit) is a comparison between the market rates per stock and EPS ([Fahmi, 2018](#)). Stakeholders use this analysis to see the company make future profits. A high PER indicates an increase in growth. also vice versa ([Pratiwi, Herman, Irfai, 2020](#)). Price earning ratio is measured using the following formula:

$$\text{PER} = \frac{\text{Market Price Per Share}}{\text{Earning Per Share}}$$

### ***The influence of DER on stock price***

Entities that have debt and capital can personally use DER as a counterbalance. DER can assess an entity's liabilities which compares overall debt with accumulated funding. creditors and entity owners can find out the initial amount of funds by using this ratio ([Kasmir, 2014](#)). The higher the ratio, the less the capital itself is than to the indebtedness. This will have an import on decreasing investor interest in investing due to high debt. To maintain consistency of the company's quality, personal capital should not be less than all of the company's debt resulting in a lack of ([Sutrisno, 2012](#)). opinion by [Abdullah et al \(2016\)](#) and [Amanda \(2014\)](#) argue DER have a say in the share prices. Opinion to the theory put forward, the hypothesis of that's formed is as follows:

**H<sub>1</sub>: Debt to equity ratio effects on stock price**

### ***The influence of EPS on stock price***

One of the factors that affect the sale and sale of shares is EPS. High EPS then leads to expensive share prices. By knowing the earnings per share, investors can assess the potential income that will be received ([Widoatmodjo, 2008](#)). Financial variables can be used as the main component in a company's fundamental analysis, namely earnings per share because there is a relationship between changes in earnings ([Tandelilin, 2010](#)). Information on earning per share of a company also shows the amount of the entity's net income which is stakeholder rights may be. EPS would be very helpful for investors because information on earnings per share can describe the prospects for future earnings of a company. After all, EPS provide information on the entity's net income that is ready to be distributed to all shareholders of the company, the greater the earnings per share will attract investors. the company becomes a platform to invest in. Therefore, this would result in an increase in demand for stocks and an increase in stock prices ([Tandelilin, 2010](#)). Research conducted by [Dicky and Topowijono \(2018\)](#), [Amanda et al \(2014\)](#) stated that EPS has the follow on share prices. The hypothesis of this research resulting from the analysis is:

**H<sub>2</sub>: Earning per share affects on stock price**

### ***The influence of PER on stock price***

PER has a direct impact on stock prices. Rate earning ratio information indicates the amount of rupiah that must be paid by investors to obtain a company earnings rupiah. In other words, the price earning ratio is also a measure of the relative price of a company's shares. one way for the right of the owner of the company to take into account the size of the company can be to use PER to get information related to proof of ownership for stakeholders which is one of the factors of increasing the quality of the share price. if the quality of the stock price is low will be shown with a lack of value PER ([Tandelilin, 2010](#)).

[Ratih's result \(2018\)](#) the PER has an influence on stock prices. Opinion to the theory put forward, the hypothesis of that's formed is as follows:

**H<sub>3</sub>: Price earning ratio affects on stock prices**

**H<sub>4</sub>: DER, EPS, and PER affects on stock prices**

Below will be presented a frame of mind chart as a form of researcher's thought flow, which is as follows:

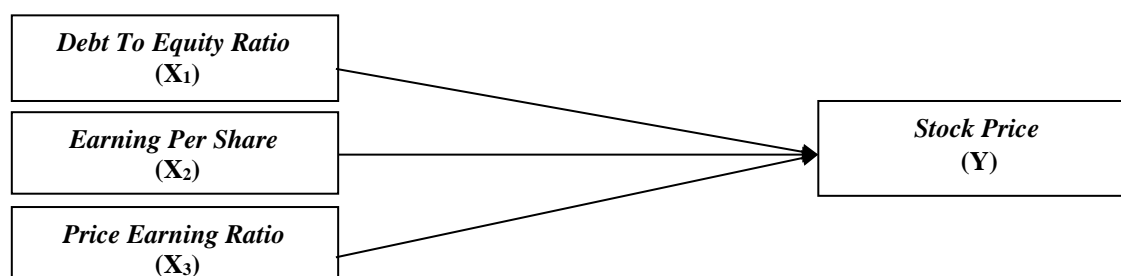


Figure 1. Framework

### 3. Research methodology

Research of quantitative method applies in explanation. The population is 52 companies. The study used non-probability sampling with purposive methods that produced 34 companies. Secondary data is selected because the data collection is in the form of documents in the form of company financial statements. Eviews 9 is a software used to process data in this study.

### 4. Result and Discussion

#### *Description regarding DER*

In results showed that in 2016 the average DER was 0,762 in 2017, the average DER value decreased to 0,751 in 2018, the average DER ratio increased to 0,799. The results revealed consumer goods industry sector companies listed on the IDX for 2016-2018 shows a fluctuating value, meaning that the amount of debt owed by companies tends to be erratic depending on the company's debt policy. A high DER illustrates the level of debt the company has. A low DER illustrates the small level of debt the company has. The increase in the value of the DER was due to an increase in the amount of debt compared to the capital owned by the company. The decrease in the value of the DER was caused by a decrease in the amount of debt compared to the capital owned by the company.

#### *Description regarding EPS*

in 2016, the average value of earnings per share was 153,904. In 2017, the average earning value per share decreased to 153,018. In 2018, the average value of earnings per share decreased to 114,677. From the graph above, demonstrated EPS in consumer goods industry sector companies listed on the ISE for the period 2016-2018 shows a decline, meaning that the company's financial performance has not been maximized in obtaining profit from each share. The high EPS value illustrates that the company's high ability to earn profit from each share. The low EPS value illustrates that the entity's low skill to get gains from each share. An increase in the entity's earnings per share wanna be caused by increased profit the company gets from each number of shares traded. The decline in the company's earnings per share can be caused by a decrease in the profit the company receives from each number of shares traded.

#### *Description regarding PER*

The results showed that in 2016 the average value of the price earning ratio was 534,139. In 2017, the average value of the price earning ratio has increased to 615,624. In 2018, the average value of the price earning ratio increased to 1.766,356. From the graph above, the results of the data processing in this study came from several consumer goods industry sector companies registered in ISE for the period 2016-2018, meaning that the amount of profit the company gets from the value of stock prices in the

financial market tends to rise every year. The high value of the price earning ratio illustrates that the high profit the company gets from the value of the stock price in the financial market. The low value of the price earning ratio illustrates that the low profit the company receives from the value of the stock price in the capital market. Raise in the value of the price earning ratio can be caused by the increase in the value of the entity's share price in the capital market. The decline in the value of the price earning ratio can be caused by the decline in the value of the company's share price in the capital market.

#### **Description regarding stock price**

The results showed that in 2016 the average stock price was 5,722. In 2017, the average share price has increased to 6,994. In 2018, the average share price decreased to 6,675. The graph above, provide information regarding the results of the average shares that have been processed prices in consumer goods industrial sector companies listed on the Indonesia Stock Exchange for the period 2016-2018 shows a fluctuating value, meaning that the performing of entity stock in the financial market tends not to be maximal. The high share price value illustrates that the high performance of the entity's stock in the financial market. The low share price value illustrates the low performance of the company's shares in the capital market. The improvement in the value of stock prices can be caused by internal factors (increasing the company's financial performance and management). The decline in the value of share prices can be caused by internal factors (decreased financial performance and company management) and external factors (macro and microeconomic).

Table 1. Descriptive statistical test

	DER	EPS	PER	HARGA_SAHAM
Mean	0,770686	140,5331	972,0401	6463,520
Maximum	2,650000	918,0300	38023,45	83800,00
Minimum	0,080000	-106,6600	-835,7140	120,0000
Std. Dev.	0,555752	222,1678	5025,974	15056,87
Skewness	1,126631	1,994596	5,602213	3,839988
Kurtosis	3,906145	6,457350	35,75228	17,81688

Source: Output Eviews 9

Based on table 1 above, it shows the results of descriptive statistical testing, which are as follows:

1. The variable debt to equity ratio shows an outcome totaling 0.770686. The maximum value of 2.650000 is at PT Unilever Indonesia Tbk in 2017. The minimum value of 0.080000 is at PT Industri Jamu & Pharmacy Sido Muncul Tbk in 2016. The standard deviation value is 0.555752. The skewness value is 1.126631. The kurtosis value is 3.906145.
2. The variable earning per share shows an average value of 140.5331. The maximum value of 918,0300 is at PT Unilever Indonesia Tbk in 2017. The minimum value of -106.6600 is at PT Martina Berto Tbk in 2018. The standard deviation value is 222.1678. The skewness value is 1.994596. The kurtosis value is 6.457350.
3. The variable price earning ratio shows an average value of 972.0401. The maximum value of 38,023.45 is in PT Unilever Indonesia Tbk in 2018. The minimum value of -835.7140 is at PT Indofarma (Persero) Tbk in 2016. The standard deviation value is 5.025.974. The skewness value is 5.602213. Kurtosis value of 35.75228.
4. The variable stock price shows an average value of 6,463,520. The maximum value of 83,800.00 is at PT Gudang Garam Tbk in 2018. The minimum value of 120,0000 is at PT Kedaung Indah Tbk in 2016. The standard deviation value is 15,056.87. The skewness value is 3.839988. The value of kurtosis is 17.81688.

Table 2. Chow test

Information	Probability Value	Result
Cross-section Chi-square	0,0000<0,05	H <sub>0</sub> Rejected

Source: Output Eviews 9



Table 2 above shows that the chi-square cross-section probability value of 0,0000 is smaller than the probability value of 0,05, namely ( $0,0000 < 0,05$ ), so the results of the chow test reject  $H_0$ . This means that the model rejects the common effect model and follows the fixed effect model.

Table 3. Hausman test

Information	Probability Value	Result
Cross-section random	0,2006 > 0,05	$H_0$ Accepted

Source: Output Eviews 9

Based on table 3 above, the chi-square random cross-section probability value of 0.0184 is smaller than the probability value of 0.05, namely ( $0.0184 < 0.05$ ), the result of the Hausman test accepts  $H_0$ . This means that the model rejects the random effect model and follows the fixed effect model. From the two tests for selecting the panel data model, it shows that the right model to use is the fixed-effect model. Therefore it is not necessary to test the Lagrange multiplier.

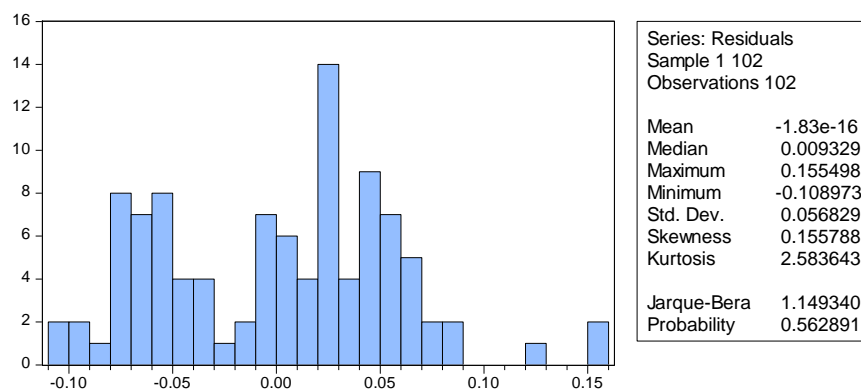


Figure 2. Normality Test  
Source: Output Eviews 9

Figure 2 above shows that the Jarque-Bera probability value of 0,563 is greater than the 0,05 probability value, the essence of a data forming a curve otherwise able to distribute normally.

Table 4. Multicollinearity test

Variable	Centered VIF
DER	1,804481
EPS	1,277536
PER	1,651521

Source: Output Eviews 9

If the VIF value is less than 10 as in table 4 it means that the data does not have multicollinearity.

Table 5. Heteroscedasticity test

Variable	Value
Obs*R-squared	4,401 < 7,815
Prob. Chi-Square	0,2213 > 0,05

Source: Output Eviews 9

Based on table 5 above, shows that the value of the Obs \* R-squared is 4.401, while the value of the chi-square table 295 tan error level of 5% (0.05) and degrees of freedom 3 obtained a value of 7.815. When viewed from the Obs \* R-squared value, it shows that the value is less than the chi-square table value ( $4.401 < 7,815$ ). The chi-square result shown with 0.02213 means that the data does not have heteroskedasticity because the number is greater than 0.05.

Table 6. Autocorrelation test

Variable	Criteria	Value
Durbin-Watson stat	du<d<4-du	1,738<2,013<2,262

Source: Output Eviews 9

The DW value in this table is 2,013. The nominal amount of the result when compared to the DW information with the number of observations (n) = 102, the number of independent variables (k) = 3, and a significance level of 0.05 where dl = 1.617 and the value of du = 1.738. Because the value of DW = 2.013 is above the value of du = 1.738 but below the value of 4-du = 2.262, namely (1.738 < 2.013 < 2.262), the essence of the resulting data contains the meaning that there is no autocorrelation.

Table 7. Panel data regression

Fixed Effect Model	
Variable	Coefficient
C	7,075009
DER	-0,171426
EPS	0,002433
PER	6,04E-05

Source: Output Eviews 9

Based on table 7 above shows that the regression equation model formed based on the results of the study is as follows:

$$Y = 7,075009 - 0,171426 X_1 + 0,002433 X_2 + 0,0000604 X_3$$

1. If the constant value is 7.075009, it means that if the independent variable, namely DER, EPS, and PER, is considered constant (worth 0), then the dependent variable, namely the stock price variable, will be worth 7.075009. This means, when there has been no change in the value of the DER, EPS, and PER, then the share price will not change.
2. Judging by der -0.171426 the impact of increasing 1 unit, but an independent variable other than der interpreted constantly is worth 0, causing the dependent variable to have a decrease of -0.171426. this opinion means that the high der will have an impact on the fall in the share price.
3. Judging by the EPS number 0.002433 impact increases 1 unit, but independent variables other than EPS interpreted constantly are worth 0, causing dependent variables to have an increase of 0.002433. this opinion means that the high earnings per share will have an impact on the high share price.
4. Judging by the number PER 0.0000604 the impact increases by 1 unit, but independent variables other than PER that are interpreted constantly are worth 0, causing dependent variables to increase by 0.0000604. this opinion means that the high PER will have an impact on the high share price.

Table 8. Hypothesis testing partially

Variable	t Value	Probability Value	Result
DER	2,402>1,984	0,0192<0,05	H <sub>1</sub> Accepted
EPS	4,269>1,984	0,0001<0,05	H <sub>2</sub> Accepted
PER	3,933>1,984	0,0002<0,05	H <sub>3</sub> Accepted

Source: Output Eviews 9

Based on table 8 above partially shows that the DER, EPS, and PER have an effect on stock prices.

Table 9. Simultaneous hypothesis testing

Variable	F Value	Probability Value	Result
DER, EPS, & DER	133,713>2,70	0,0000<0,05	H <sub>4</sub> Diterima

Source: Output Eviews 9



Based on table 9 above, it shows simultaneously the DER, EPS, and PER have an effect on stock prices.

Table 10. Testing Coefficient of Determination

Information	Value	Percentage
R-squared	0,987	98,7%

Source: Output Eviews 9

The data showed that independent variables accounted for 98.7% of dependent variables, while 1.3% were shown by research other than those listed in this paper.

## Discussion

### *The influence of DER on stock price*

In this study, DER influenced the share price. which, the results of this study are supported by previous researchers. DER is used to be a comparison of obligations with an accumulated annuity. DER provides useful information for creditors and owners of companies to use as debt dependents ([Kasmir, 2014](#)). This event may occur because the shareholder or investor in investing does not see the importance of the use of obligations (both long-term and short-term liabilities) as well as the return on interest and principal of the debt which ultimately does not affect the perception of the investor or the shareholder against the future profits of the company. The high level of this ratio will be inversely proportional to the capital when compared to the liabilities to be paid. the company's principles remain consistent ly-oriented at reasonable limits. If the DER figures produced in a company's analysis indicate that the company has a reliance on funding by another party or has a source of funds from outside the company that exceeds the internal source of funds, this will have an impact on the amount of responsibility of the company in shouldering a large liability. ([Sutrisno, 2012](#)). Opinion research by [Abdullah et al \(2016\)](#) and [Amanda et al. \(2014\)](#) says which states that the DER influences stock prices.

### *The influence of EPS on stock price*

This research results in the influence of EPS on the share price. which the results of previous researchers supported the information of these results. High EPS wanna have resulted in a high share price. investors can here by this analyze how much income will be received in the future ([Widoatmodjo, 2008](#)). Financial variables can be used as the main component in a company's fundamental analysis, namely earnings per share because there is a relationship between changes in earnings and changes in stock prices ([Tandelilin, 2010](#)). Information on earning per share of a company also shows the amount of the company's net profit which is ready to be distributed to all shareholders of the company. Earning per share will be very helpful for investors because information on earnings per share can describe the prospects for future earnings of a company. After all, earnings per share show the company's net income that is ready to be distributed to all shareholders of the company, the greater the earnings per share will attract investors. to invest in the company. results in EPS data processing can provide high information on the low income that will be received by shareholders or investors. By analyzing the developments contained in EPS, stakeholders can predict whether the company will grow or decline in the future. Therefore, this will result in an increase in demand for stocks and an increase in stock prices ([Tandelilin, 2010](#)). This is supported by research conducted by [Dicky and Topowijono \(2018\)](#), [Amanda et al. \(2014\)](#) stated that EPS influences stock prices.

### *The influence of PER on stock price*

By calculating per analysis can make it easier for users of financial statements in taking a company's policy. Because per is one of the fundamental measurements in predicting stocks fundamentally. Per provides information regarding the share price of an issuer by comparing the net income earned by the issuer in approximately one year. What makes the basis in the per analysis calculation is the profit that has been reduced by the expenses generated by the issuer. From this analysis, stakeholders can conclude that a share price is fair or unreasonable and not just an estimate. This research has influenced the price-earnings ratio on the share price. which the results of previous studies support the results of this study. A high PER will result in a high share price which is an attraction for investors. if the company produces

a low PER it will decrease investor interest due to the low share price ([Tandelilin, 2010: 377](#)). This PER analysis can be obtained by comparing the share price at the time of closing and the earnings received per share. By knowing the overview of the company's analysis for the period to come, stakeholders can consider in the decision-making to make investments that are then used for the company's activities in the production and sales process to generate profit. However, per can not always drive corporate profits ([Frenita, Lardin, Tutik, 2020](#)). This is supported by according to research by [Ratih \(2018\)](#) which PER shows that it has a significant effect on stock prices.

#### *The effect of DER, EPS, and PER on stock price*

The research conducted resulted that all independent variables affect dependent variables. DER is used to be a comparison of all liabilities with capital. This ratio provides benefits related to the accumulation of funds provided by creditors and owners of the company, so that it has its own capital-related information that is implemented as a debt liability ([Kasmir, 2014](#)). the high ratio has the impact of lack of capital when compared to debt. for a company must be able to maintain consistency so that the resulting burden is not too high especially if it exceeds its own capital ([Sutrisno, 2012](#)).

Earning per share is very influential on stock prices. The higher the earning per share, the more expensive a share will be, and vice versa, because earning per share is a form of financial ratio to assess the company's performance. By knowing the earnings per share, investors can assess the potential income that will be received ([Widoatmodjo, 2008](#)). Financial variables can be used as the main component in a company's fundamental analysis, namely earnings per share because there is a relationship between changes in earnings and changes in stock prices ([Tandelilin, 2010](#)). Information on earning per share of a company also shows the number of the entity's gains which is willing to be distributed to the entity's shareholders. Earning per share be very helpful for investors because information on earnings per share can describe the prospects for future earnings of a company, because earnings per share show the company's net income that is ready to be distributed to all shareholders of the company, the greater the earnings per share will attract investors. to invest in the company. Therefore, this will result in an increase in demand for stocks and an increase in stock prices ([Tandelilin, 2010](#)).

Price Earning Ratio information shows a direct impact on the share price which requires investors to pay a certain amount of rupiah to earn the company's earnings. PER is also an indication for measuring the company's share price. if PER is high it will have an impact on the high share price that investors are interested in. on the other hand, if the PER is low it will have an impact on the low share price that investors are interested in ([Tandelilin, 2010](#)).

## **5. Conclusion**

Based on the results of research and discussion, the following conclusions were obtained:

1. The results show that the average value of the debt to equity ratio in the consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018 shows a fluctuating value. The average value of earnings per share in consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018 shows a decline. Meanwhile, the average value of share prices in consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018 shows a fluctuating value.
2. The results show that the debt to equity ratio affects the share price. So the higher the debt to equity ratio, the lower the share price. High debt to equity (DER) indicates a high reliance on the company's capital on outsiders, so the company's burden is also increasingly heavy. If a company bears a high debt burden, i.e. exceeding its own capital, then the company's share price will decrease. This is because investors in investing do not look at important use of debt as well as interest returns and principal debt that ultimately does not affect investors' perception of future profits.
3. The results show that earnings per share affect the share price. The higher the earnings per share the company gives, the more investors will believe that the company will provide a fairly good rate of return. This will encourage investors to make more investments so that the share price will

rise. This EPS will be of great help to investors or shareholders because the information done based on the results of this EPS calculation can provide an overview of the earning prospects of an issuer in the future. After all, EPS shows the company's net profit is ready to be shared with all shareholders of the company, then the greater the EPS will attract investors to invest in it. Therefore, this will result in the demand for shares will increase and the share price will increase, thus EPS has a positive effect on the share price.

4. The results show that the price earning ratio affects the share price. So the higher the price earning ratio, the higher the share price. The price earning ratio is considered by investors in selecting stocks because companies that have a high PER value show a high market value also on the stock, so the stock will be in demand by investors and this will ultimately impact the increase in the share price. based on the analysis of information from per shows that the amount of rupiah that requires investors or shareholders to pay to obtain the amount of rupiah earning issuer. The interpretation means that PER is a measure of the price of a company or issuer's stock. Per is very concerned by shareholders or investors because it has an important sense that the high value of PER implies the market value of a company that is very expensive for the stock. This is the attraction for investors or shareholders that will ultimately have an impact on the high share price increase. when a company has the results of the analysis in the form of per value information, then the share price will be cheap and cause low interest among investors or shareholders.
5. The results showed that DER, EPS, and PER affect the share price. This can be interpreted if the DER, EPS, and PER increase, then the share price will also increase.

### Limitations and study forward

The research is limited to just a few factors, namely DER, EPS, and PER to stock prices. Also, this research is only limited to companies in the consumer goods industry that are listed on the Indonesia Stock Exchange for the period 2016-2018.

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