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THE EFFECT OF RETURN ON EQUITY (ROE) AND EARNING PER SHARE (EPS) ON FINANCIAL LEVERAGE IN PT. PIONEERINDO GOURMENT, TBK

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Abstract

The object of the research used is PT Pioneer Pioneer Gourment, Tbk, which is classified in a manufacturing company listed on the Stock Exchange in the period 2008 to 2010. The research data is based on financial report data for the period 2009-2010. The financial statements used in this study are position reports, company finance, income statement, notes to financial statements, and closing market price data (closing price) issued by the Indonesia Stock Exchange (IDX). The variables used in this study are Financial Leverage, Earning Per Share and Return On Equity Earning Per Share (EPS) PT. Pioneerindo Gourment International, Tbk in 2008: 2.97 and in 2009: 3.90 and in 2010: 4.27. The lowest Ln EPS value is 1.07, and the highest value is 9.95. While the average value of Ln EPS is 5.0159. This shows that on average each sample company provides a share of earnings (Ln EPS) of 5.0159 from profits earned by the company. stock returns (R_i) in 1 classified company in a manufacturing company listed on the Indonesia Stock Exchange (IDX) for the period 2008 to 2010 have the highest value of 0.04% and the lowest value is -0.09%, while the average of stock returns (R_i) This is 0.0025%. This implies that the average investment in shares of 1 company generally produces a loss of 0.0025% of the amount of investment made by investors.

The constant coefficient based on the regression results is 0.009, this means that Y (stock return) will be 0.009 if the Return On Equity (ROE), Detb to Equity Ratio (DER) and Earning Per Share (EPS) are 0 or constant. Earnings Per Shares (EPS) has a regression coefficient of (-0.004), stating that every 1% increase in EPS (assuming that the other variable coefficient values are constant or unchanged), will result in a decrease in stock returns of 0.004 or 0.4%. The coefficient is negative, meaning there is a negative relationship between EPS and stock returns, the higher the EPS, the lower the stock return. The value of R Square (R²) is 0.141. This means that the effect of Return On Equity (ROE) and Earning Per Share (EPS) on financial leverage is 14.1% while the rest (100% - 14.1%) is 85.9% which may be influenced by other factors, such as fundamental information and technical information.

Keywords: Return On Equity (Roe) And Earning Per Share (Eps) On Financial Leverage In PT. Pioneerindo Gourment



A. Introduction

Today's economic development is driving an increase or growth in the business world, which has made competition even tighter for companies. Therefore companies must develop strategies in a sustainable manner so that they are able to make the right policies and decisions for each company activity.

The company aims to maximize the welfare of the shareholders through investment decisions or policies, funding decisions, and dividend decisions reflected in stock prices in the capital market, as seen from the perspective of financial management. This goal is often translated as an attempt to maximize company value (Almilia and Silvy: 2006: 125).

Companies will always look for opportunities to grow their business or survive in various economic situations. To obtain these opportunities the company needs to pay attention to all aspects of the economy including internal and external factors of the company, namely the company's financial condition and global economic conditions, so that the objectives of the company can be achieved with minimal risk. Every company needs capital to run its business. According to Brigham & Houston (2004: 468), it is possible to fund a company entirely with ordinary shares. However, most companies get a substantial share of capital through debt, and many also use preferred shares. To make a return agreement to pay a fixed return on the use of debt or stock funds, the company can make a leverage policy.

B. Method

Place and time of research

Research sites

This research was conducted at PT. Pioneerindo Gourment International, Tbk, having its address at Gedung Jaya, 6th floor, Jl. M.H. Thamrin No. 12 Central Jakarta which is listed on the Indonesia Stock Exchange.



Research time

This research began from June 2013 to August 2013

Population and Samples

Population

The population used in this study is PT. Pioneerindo Gourment Internasional, Tbk, which has gone public and is listed on the Indonesia Stock Exchange

Sample

The sampling technique in this study is the selection of samples with judgment (purposive / purposive sampling), namely the type of sample selection is not random, the information obtained using certain considerations and generally adapted to the objectives or research problems (Indriantoro and Supomo, 2004: 105).

The sample that I use in this study is PT Pioneerindo Gourment Internasional, Tbk, which is listed on the Indonesia Stock Exchange

Types and Data Sources

Data Type

The type of data used in this study is secondary data, namely in the form of annual financial statements of PT Pioneerindo Gourment International, Tbk, which are listed on the Indonesia Stock Exchange (IDX), which are historical records of the financial condition and performance of the company.

Data source

Data for this study were obtained from PT Pioneerindo Gourment International, Tbk, which is listed on the Indonesia Stock Exchange (IDX) and International Capital Market Directory (ICMD). The data includes the company's annual financial report data, company profile, company ownership structure, independent auditor's report and data on the submission of the company's financial statements to Bapepam.



Data collection technique

Observation

Observation is the research method in which the researcher conducts direct observation of the object of research at PT Pioneerindo Gourment International, Tbk which is listed on the Indonesia Stock Exchange obtained by the Indonesian Stock Exchange (PRPM BEI) Capital Market Reference Center.

Library Studies

It is data collection by reading scientific books and other data sources that aim to obtain additional information about the theory and opinions of experts that will be used in analyzing this research.

Variable Operational Definition

Is a statement relating to measurements emphasized in the properties of concepts that can be observed and can be measured. The variables used in this study are:

Financial Leverage

It is a proportion that describes how much the company's assets are financed by loan capital or the ratio of total debt (debt) to total assets (total assets).

Total Debt (total debt)

Is the total liability of the company.

Total assets (total assets)

Is the total assets owned by the company.

Return on Equity (ROE)

It is the ratio of net income after tax with a purpose to find out the level of net returns available to shareholders.

Earning per Share (EPS)

Is the profit available for distribution to ordinary shareholders calculated by dividing net income after tax with the number of shares outstanding.



C. Discussion

The object of the research used is PT Pioneer Pioneer Gourment, Tbk, which is classified in a manufacturing company listed on the Stock Exchange in the period 2008 to 2010. The research data is based on financial report data for the period 2009-2010. The financial statements used in this study are position reports. company finance, income statement, notes to financial statements, and closing market price data (closing price) issued by the Indonesia Stock Exchange (IDX). The variables used in this study include Financial Leverage, Earning Per Share and Return On Equity Earning Per Share (EPS) PT. Pioneerindo Gourment International, Tbk in 2008: 2.97 and in 2009: 3.90 and in 2010: 4.27

Table 1 Financial Ratio (ROE)

RASIO KEUANGAN (%) Financial Ratio (%)	2012	2011	2010	2009	2008
Pertumbuhan Pendapatan Usaha Revenue Growth	71.0	18.7	9.1	9.4	76.6
Pertumbuhan Laba Usaha Operating Profit Growth	33.6	58.7	41.1	20.0	177.7
Pertumbuhan Laba Bersih Net Profit Growth	32.7	64.3	44.0	155.4	2522.5
Beban Usaha terhadap Pendapatan Usaha Operating Expenses to Revenue	57.3	53.7	53.0	58.6	58.7
Labas Usaha terhadap Pendapatan Usaha Operating Profit Margin	12.9	17.6	9.4	7.3	6.6
Labas Bersih terhadap Pendapatan Usaha Net Profit Margin	9.7	8.9	6.4	4.8	2.1
Labas Bersih terhadap Jumlah Aset Return on Assets	16.9	19.4	14.5	12.1	5.2
Labas Bersih terhadap Ekuitas Return on Equity	28.9	36.9	30.2	51.5	57.0
Kewajiban terhadap Ekuitas Liabilities to Equity	71.8	90.0	154.3	126.3	291.3
Kewajiban terhadap Aset Liabilities to Total Assets	41.7	47.4	57.7	76.5	89.9

Table 2 Net Income Per Share

POSISI SAHAM (Rp. /LNUNJ) Stock Position (Rp. Full Amount)	2012	2011	2010	2009	2008
Labas Bersih per Saham Earning Per Share	153	171	74	296	114



Table 3 Financial Leverage

HASIL USAHA DAN KEUANGAN (RIBUAN RP) Result of Operation and financial (Thousands Rp) :	2012	2011	2010	2009	2008
Pendapatan Usaha Operating Revenues	353.780.408	292.477.519	247.503.238	226.789.750	207.324.401
Laba Kotor Gross Profit	234.474.995	192.484.508	162.372.124	144.801.623	131.220.041
Laba Usaha Operating Profit	49.300.561	36.898.144	23.246.779	16.479.031	13.732.430
Laba Sebelum Pajak Profit Before Tax	47.758.930	36.036.602	22.975.887	17.101.502	6.887.730
Laba Bersih Net Profit	34.371.777	25.911.802	15.766.633	10.948.539	4.787.123
Jumlah Aset Total Assets	203.876.991	133.432.784	109.008.910	90.667.258	81.755.257
Jumlah Liabilitas Total Liabilities	85.038.776	63.120.957	67.771.121	69.399.147	73.508.285
Jumlah Ekuitas Total Equity	118.838.214	70.211.826	41.237.789	21.268.112	8.246.972
Jumlah Saham Beredar Stock Issued	220.808	220.808	220.808	220.808	220.808

Descriptive Statistics Analysis

Descriptive statistical analysis was carried out in order to provide an overview of the variables used in the study. This study uses three variables, namely ROE, EPS, and Leverage Financial. Based on the results of data processing with the help of SPSS (Statistical Product and Service Solution) version 17.0 the results of the calculation are as follows:



Table 4 Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean
Return	3	-0.09	0.04	0.0025
Ln DER	3	2.97	6.79	4.6515
Ln EPS	3	1.07	9.95	5.0159
Valid N (listwise)	3			

Source: Data processed

From table 4.6 above it is known that the number of samples used in this study is 1 company, with a period of 3 years (2008, 2009 and 2010), so the value of $N = 3$. In addition, it is known that stock returns (R_i) in 1 company classified in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2008 to 2010 have the highest value of 0.04% and the lowest value is -0.09%, while the average of stock returns (R_i) is 0.0025%. This implies that the average investment in shares of 1 company generally produces a loss of 0.0025% of the amount of investment made by investors.

Debt to Equity Ratio (DER) in 1 company classified in manufacturing period 2008 to 2010 in table 4.6 above, shows that the value of Ln DER has the highest value of 6.79%, while the lowest value is 2.97%, and the average of DER that is 4.6515%. This shows that the companies in this study tend to have total debt of 4.6515% of the company's total equity. Earnings value per share in 1 company that is classified in a manufacturing company for the period 2008 to 2010 has that can be seen from table 4.6 above, indicating that the lowest value of Ln EPS is 1.07, and the highest value is 9.95. While the average value of Ln EPS is 5.0159. This shows that on average each sample company provides a share of earnings (Ln EPS) of 5.0159 from profits earned by the company.



D. Conclusion

Based on the results of the study of the effect of Return On Equity (ROE) and Earning Per Share (EPS) on Financial leverage at PT Pioneerindo Gourment Tbk, the authors give the following conclusions:

1. The lowest Ln EPS value is 1.07, and the highest value is 9.95. While the average value of Ln EPS is 5.0159. This shows that on average each sample company provides a share of earnings (Ln EPS) of 5.0159 from profits earned by the company.
2. Stock returns (R_i) in 1 classified company in a manufacturing company listed on the Indonesia Stock Exchange (IDX) for the period 2008 to 2010 has the highest value of 0.04% and the lowest value is -0.09%, while the average of stock returns (R_i) is 0.0025%. This implies that the average investment in shares of 1 company generally produces a loss of 0.0025% of the amount of investment made by investors.
3. The constant coefficient based on the regression results is 0.009, this means that Y (stock return) will be worth 0.009 if Return On Equity (ROE), Detb to Equity Ratio (DER) and Earning Per Share (EPS) are 0 or constant.
4. Earnings Per Shares (EPS) has a regression coefficient of (-0.004), stating that every 1% increase in EPS (assuming that the coefficient value of other variables is constant or unchanged), it will result in a decrease in stock returns of 0.004 or 0.4% . The coefficient is negative, meaning there is a negative relationship between EPS and stock returns, the higher the EPS, the lower the stock return.
5. the value of R Square (R²) is 0.141. This means that the effect of Return On Equity (ROE) and Earning Per Share (EPS) on financial leverage is 14.1% while the rest (100% - 14.1%) is 85.9% which may be influenced by other factors, such as fundamental information and technical information.



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