

## **Influence of Return on Equity (ROE), The Price Earnings Ratio (PER) and the Capital Structure of The Company's Share Price Against the Sub Sectors of Transport Registered in Bursaefek Indonesia (BEI) the Period of 2015-2018**

**Novien Rialdy**

Fakultas Ekonomi dan Bisnis

Universitas Muhammadiyah Sumatera Utara

Jl. Kapten Mukhtar Basri No. 3 Telp. (061) 6624567 Medan 20238

novienrialdy@umsu.ac.id

### **ABSTRACT**

This research aims to find out whether the influence of Return on Equity (ROE), the Price Earnings Ratio (PER) and the Capital structure of the company's share price against the Sub Sectors of transport registered in Indonesia stock exchange (BEI) of the period of 2015-2018 well partially as well as simultaneous. The research method used is the quantitative approach, this type of research is descriptive and explanatory nature. This study contains a population of 39 companies with samples as many as 9 companies for the 4-year research period by using Purposive sampling technique as the determination of the sample. Engineering data collection, documentation, data types used are secondary data in financial statements BEI. The analysis of the data used is multiple linear regression. Prior to testing the hypothesis will be tested using the test data assuming the classics. The results of the analysis of the coefficient of determination in getting adjusted R square values of 0.382 mean variation variable the company stock price can be explained by variation in return on equity, variable price earnings ratio and structure of capital was amounted to 38.2% While the rest of 61.8% is explained by other free variables. The results showed that the simultaneous return on equity, price earnings ratio and capital structure influenced positively and significantly to the stock price with value and the value of  $2.90 > 6.591$  significant  $0.01 < 0.05$ . Partially, variable return on equity in partial positive and significant effect against the price of a stock with a value of  $2.03693 > 3.739$  and significant value of  $0.01 < 0.05$ , The Price earnings ratio of positive and significant effect against the price of a stock with a value of  $2.315 > 2.03693$  and significant value of  $0.027 < 0.05$ . partially capital structure variables do not affect the positive and significant price shares with a value of  $0.448 < 2.03693$  and significant value of  $0.657 > 0.05$ .

**Keywords:** Return on Equity (ROE), The Price Earnings Ratio (PER), Structure

### **I. INTRODUCTION**

Some analysis to be used by investors to know the suitability of stock price performance ratio through the company's ROE (Return on Equity) ratio to measure the ability of a company making a profit through capital owned by dividing the net profit after tax by the amount of the equity of the company. In addition to using the ratio of Return on Equity (ROE), investors can also use the ratio PER (Price Earnings Ratio) which shows a comparison between the price of shares in the market or the price of Prime offered compared to the income that is received. The level of the company's revenue from EPS (Earning Per Share) which is closely related to the increase in the share price, when fluctuations EPS (Earning Per Share) the higher the height also changes its stock price and refund (Return) of its shares. For a company there is a very important thing to strengthen financial stability, i.e. a capital structure that is a source of funding for the company. Therefore, management needs to master how to determine the optimal capital structure related to the level of leverage of the company, namely the use of the debt so that the company has a good capital structure.

Based on the theory of capital structure, the use of debt until at some point will increase the company's value, but if the position is above the capital structure target optimal capital structure, so any added debt will decrease the value of the company. Therefore, the management need to balance the benefits and tradeoffs that arise due to the use of debt.

## II. LITERATURE REVIEW

### **Return on Equity relationships with stock price**

According to Chrisna (2011:34), the increase in Return on Equity (ROE) is usually followed by a rise in the share price of the company. The higher the ROE means the better the performance of the company in managing capital is to generate profits for shareholders

### **The relationship of Price Earnings Ratio with stock price**

According to Fahmi Irham (2013:138), Price Earnings Ratio describes how corporate profits or issuers of stocks against the price of its shares, indicating the magnitude of dollars payable to investors acquiring a company earning in rupiah, the greater the Price Earnings Ratio, so the larger the company the possibility to grow anyway so that it can increase the value of the company.

### **The relationship of capital structure with stock price**

According to Brigham and Huston (2010:24), the optimal capital structure of a company should be on the balance between risk and Returns that maximizes the share price for higher debt levels raise Earnings per share is expected, Laverge work following stock prices. However, a higher debt level also increases the risk of the company, which Raised the cost of equity and lower stock prices.

## III. RESEARCH METHODS

### **Design Research**

This research aims to examine and analyze the effect of the independent variable (Return On Equity, Price Earnings Ratio and capital structure) of the dependent variable (the stock price) through hypothesis testing. In accordance with the research objectives, then the type of research used in this research is descriptive research. The sampling technique used is a purposive sampling method that is based on the sampling considerations – certain considerations.

### **Population Research**

The population in this research is transportation companies listed on the Indonesia stock exchange 2015-2018 period with the following criteria:

1. the transport sector sub Companies listed on the Indonesia stock exchange (Bei) of the years 2015-2018.
2. the transportation sector sub Companies listed on the Indonesia stock exchange (Bei) respectively from the year 2015-2018.
3. the transport sector sub Companies publish financial statements in full for the years 2015-2018.
4. the transport sector sub Company suffered no losses during the year of 2015-2018.

## Data and Data collection Techniques

The data used in this research is secondary data. Secondary data, i.e., data already exists and does not need to be collected by the researchers. Secondary data is generally in the form of evidence, records or historical reports that have been arranged in the archive (data documents are published and not published).

## Operasionalisasi Variable

This research uses 4 variables i.e. the dependent variable as share price and Return on equity, Price earnings ratio, capital structure as the independent variable. The Dependent Variable

The dependent variable is often referred to as bound variables namely variables that are affected or which become due to the independent variable Sugyono (2012:33). Technical analysis is a type of analysis that is always oriented to the price (opening, closing, highest and lowest) of an investment instrument in a certain time frame (Price Oriented).

## Independent Variable

The independent variable is often referred to as free variables, namely variables that affect or be a cause of the onset of the dependent variable Sugiyono (2012:33). The independent variable in this study is:

- a. Return on Equity  
This ratio is useful to indicate a measurement of earnings (income) that are available to the owners of the company over the capital that has been invested.
- b. Price Earnings Ratio  
Describe the market appreciation against the ability of the company in generating profits.
- c. Capital structure  
Function to find out any own capital was made rupiah to guarantee debt

## Model Research

The method of multiple linear regression was used to examine the influence of two or more variables. This analysis technique is used to test the relationships and the influence of Return on Equity, Price Earnings Ratio and capital structure towards the stock price on transportation companies listed on the Indonesia stock exchange (Bei) is partial.

## IV. RESULTS AND DISCUSSION

Descriptive statistics variable, return on equity, Price Earnings Ratio, capital structure and share price indicated in table 1 below.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROE	38	,38	61,17	16,4868	15,95314
PER	38	3,23	617,28	59,6037	128,67212
DER	38	,11	25,76	2,3239	4,14492
HARGA_SAHAM	36	73,60	2110,19	598,7092	498,93993
Valid N (listwise)	36				

Sumber : Output SPSS 19.00 (2018)

1. Return on Equity (BEI) (X 1) has a number of samples (N) as much as 36, with the minimum (smallest) value of 0.38 at PT. Sidomulyo Aligned, Tbk years 2017, the value of the maximum (largest) 61.17 at PT. Cardigs Aero Service, Tbk years 2017 and mean (average) 16.4868 with the standard deviation (Byway of baku) 15.95314.
2. The variable Price Earnings Ratio (PER) (X 2) the number of samples (N) as much as 36, with the minimum (smallest) 3.23 at PT. Pelayaran Tempura gold, Tbk years 2015, the value of the maximum (largest) 617.28 PT. Sidomulyo Aligned, Tbk years 2017 and mean (average) 59.6037, with a standard deviation (Byway of baku) 128.67212.
3. Capital Structure Variables (X 3) has a number of samples (N) as much as 36, with the minimum (smallest) value of 0.11, on PT. Pelayaran Nelly Dwi Putri, Tbk year 2018, the maximum value (the largest) 25.76 at PT. Humpuss Intermoda transport, Tbk years 2017 and mean (average) 2.3239 with standard deviation (Byway of baku) 4.14492.
4. Stock price Variable (Y) has a number of samples (N) as much as 36, with the minimum (smallest) 73.60 at PT. Pelayaran Nelly Dwi Putri Tbk year 2018, the maximum value (the largest) on 2110.19 PT. Pelayaran Tempura Mas, Tbk years 2017 and mean (average) 598.7092, with a standard deviation (Byway of baku) 498.93993.

Normality test done to test whether the model in a regression, residue or variable regression equation of the bully has a normal distribution or not normal. Good regression model is that it has a normal distribution or not approaching normal. Test of normality can be performed using the test-Kolmogorov Smirnov (K-S). Data is Gaussian if the significance level is greater than 0.05. Based on the research results obtained value of the Kolmogorov-Smirnov of 0.951 Asymp value. SIG (2-tailed) is 0.326 and > 0.05 criterion which is the Kolmogorov-Smirnov test statistics so that it can be concluded that data is Gaussian.

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		36
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	,375,56974058
Most Extreme Differences	Absolute	,158
	Positive	,158
	Negative	-,158
Kolmogorov-Smirnov Z		,951
Asymp. Sig. (2-tailed)		,326

Multikolinieritas test aimed at testing whether the regression model is found the existence of a correlation between variables. Certain regression models are said to be good if it does not happen the correlation between variables. There is know whether multikolinieritas or correlation between free variables, can be viewed from the value of tolerance or variance information factor (VIF). If the tolerance "of more than 10 percent or VIF is less than 10, then said no symptoms of multikolinieritas. Research results showed the value of tolerance to each independent variable is greater than 0.10 and value his VIF is smaller than 10. The regression model is said to be free from multikolinieritas.

Autocorrelation test aimed at testing whether the regression model in lienear There is a correlation between a bully in the period t error with error at period t-1 (previous) one size in determining whether or not there is a problem with autocorrelation test Durbin-Watson.

Heteroskedastisitas test aimed at testing whether the residual variance of inequality occur one regression model observations. Good regression model is that it does not contain heteroskedastisitas or have symptoms of a homogeneous Variant. Or no heteroskedastisitas Glejser Test model can use. This model is done with absolute value mengorelasikan residual with free variables. The value of the probability that a value of significance  $\alpha > (0.05)$ , then the regression model is said to be not experiencing symptoms of heteroskedastisitas. The results showed that the overall variables have significant value exceeds 0.05 so that research can be inferred data free from heteroskedastisitas.

Multiple linear regression analysis is used to find out the magnitude of the influence of Return on Equity (ROE), the Price Earnings Ratio (PER), and the structure of capital against stock prices on transportation companies listed on the Indonesia stock exchange 2015-2018 the results from analysis of the multiple linear is shown in the following table:

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.256	.545		7.813	.000
	Ln_ROE	.471	.126	.681	3.739	.001
	Ln_PER	.260	.112	.423	2.315	.027
	Ln_DER	.060	.134	.072	.448	.657

LN stock price =  $4.256 + 0.471 \text{ Ln Return on Equity} + 0.260 \text{ Ln Price Earnings Ratio} + 0.060 + \text{Capital Structure}$  Ln e the value of the R Square value Adjusted is 0.382 and R2 is 0.324. Thus, it can be concluded that the ability of the independent variable (return on equity, price earnings ratio and capital structure) in the dependent variable describes the variation of the (share price) is 32.4%, while the rest amounted to 67.6% explained by variables other than this research model.

This test is done to find out the influence of each independent variable i.e. Return on Equity (X 1), Price Earnings Ratio (X 2), capital structure (X 3) against the dependent variable (Y) share price. The hypothesis proposed is acceptable when the value  $t_{hitung} > t_{tabel}$

1. Variable Return on Equity (X 1) has a value of  $t_{hitung} > t_{tabel}$ . Value 3.739 atau 3.739 > 2.03693, with significant value 0.01 0.05  $H_0$  is rejected then < and  $H_a$  accepted i.e. Return on Equity in partial positive and significant effect against the price of shares in the company sub sectors of transport listed in Indonesia stock exchange years 2015-2018.
2. The variable Price Earnings Ratio (X 2)  $t_{hitung}$  has a value of 2.315. The value of  $t_{hitung} < t_{tabel}$  or  $2.03693 < 2.315$ , with significant value of  $0.027 < 0.05$   $H_a$  was rejected and then accepted  $H_0$  i.e. Price earnings ratio in partial effect on the stock price on a company sub sectors of transportation listed on the stock exchange Indonesia 2015-2018 years.
3. Capital Structure Variables (X 3) has a  $t_{hitung}$  value of 0.448. The value of the  $t_{hitung} < t_{tabel}$  or  $0.448 < 2.03693$ , with significant value  $0.657 > 0.05$   $H_0$  are received and then 0.05  $H_a$  denied that is partially capital structure has no effect on stock prices significantly to sub sectors of transportation companies listed on the Indonesia stock exchange years 2015-2018.



## **V. CONCLUSIONS and SUGGESTIONS**

### **Conclusion**

1. Based on the results of testing the hypothesis partially (T-test), Return on Equity (ROE) partially positive and significant effect against the price of the stock on the company's transport sector sub companies listed on the Indonesia stock exchange (Bei) the year 2015-2018.
2. Based on the results of testing the hypothesis partially (T-test), the Price Earnings Ratio (PER) partially positive and significant effect against the price of the stock on the company's transport sector sub listed in Indonesia stock exchange (Bei) of the year 2015-2018.
3. Based on the results of the research hypothesis partially (T-test), capital structure partially not positive and significant effect against the stock price on the transportation sector sub companies listed on the Indonesia stock exchange (BEI) in 2015-2018.
4. Based on the results of the simultaneous hypothesis testing (test F), Return On Equity (ROE), the Price Earnings Ratio (PER), and simultaneous Capital Structure influential significantly to stock prices in the transportation sector sub companies listed on the stock exchange The effect of Indonesia (BEI) in 2015-2018

### **Suggestions**

Based on the results of the research that has been done, a few suggestions that may be advanced researchers is the Indonesia stock exchange (Bei), is expected to focus more pay attention to the balance of the use of debt and private equity in determining capital structure company: for the use of excessive debt can lead to a decrease in the value of the company. In addition, the company also needs to pay attention to the performance of the company's profitability and free cash flow the company owned: for free cash flow became a reference for the extent to which the company can provide for the results to shareholders.

1. For investors or prospective investors, expected investors and potential investors can be menhitung corporate values by using other indicators not only uses Return On Equity (ROE), the Price Earnings Ratio (PER), and capital structure. In addition, investors and potential investors may consider external factors, such as the State of the market, government policies, and so on.
2. For subsequent researchers, it is expected the next researcher can expand this study by adding different free variables such as company size, liquidity, investment decisions, and so on or by adding the period of observation and using the data of financial statements of different enterprises sector in order to study the results obtained will be more detailed and up.

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