The Effect of Return on Assets (ROA) and Earning Per Share (EPS) On Stock Returns with Exchange Rates as Moderating Variables

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ABSTRACT: *Return is the return on profit obtained by investors from investments that have been made. Expectations to obtain returns are also shown by the willingness by investors to provide a number of funds in obtaining future profits which are rewards for compensation when investing and the risks borne by investors. In this case, it is a great hope for investors to wait for the results of the value bet invested in the future. The amount of return obtained for investors is influenced by micro and macro factors both economically and non-economically. This study uses microeconomic factors, namely ROA and EPS as independent variables. Meanwhile, the macroeconomic factor is the exchange rate as a moderating variable. In carrying out the research, the population taken by the researcher is the manufacturing companies listed in the LQ45 index on the IDX for the 2016-2020 period. Purposive sampling is the method used by researchers in taking samples with a total of 7 companies that meet the criteria. The methods to analyze the data of this research are descriptive analysis, multiple linear regression analysis and Moderating regression analysis (MRA) using the SPSS application. The results of the analysis show that the first calculation of the Return on Assets (ROA) variable has a significant effect on Stock Return. The second calculation shows that Earning Per Share (EPS) has no significant effect on Stock Return. The third calculation shows that the exchange rate cannot moderate the effect of Return on Assets (ROA) on stock returns. The fourth calculation shows that the exchange rate cannot moderate the effect of Earning Per Share (EPS) on stock returns.*

KEYWORDS - *Return On Asset; Earning Per Share; Stock Return, Exchange Rate*

I. Introduction

The capital market is a means that will bring together the owners of funds with those who need funds so that it will greatly assist the parties who own funds in allocating their funds wisely in achieving the desired goals. Likewise, those who need funds will be greatly helped by additional funds from the owner of the funds in the interest of running and developing the business and achieving the targets that have been set.

According to Abdul (2005: 4) "investment aims to gain future profits by sacrificing funds or capital to buy bonds, mutual funds, or stocks at this time". Investors have the aspiration to make a profit either in the near future or in the future. The capital market is a bridge between capital owners who will invest their capital.

As an investor, the hope of course is to get as many returns or returns as possible on the investments that have been made. Investors must pay attention to information related to stock returns. Of course, high stock returns are positive information for investors because it will attract the attention of other investors to invest or buy the stock. This happens when the rate of return is considered to be able to describe the condition of the company. Thus, the return is one that will make investors happy when the stock price increases.

The manufacturing sector actually makes the largest commitment to the public GDP (Gross Domestic Product) structure. Referring to the results of the study submitted by IHS Market, the Indonesian assembly PMI in July 2020 was at the level of 46.9 or an increase from the calculations and comparisons of the previous month with a focus of 39.1. Even though in the midst of public monetary conditions, which experienced a deep narrowing in the second quarter of 2020, the assembly line business actually recorded a positive performance. This extreme area includes the business of compounds, drugs, and conventional drugs, which grew by 8.65 percent. One of the reasons for choosing the assembly line of business is because the assembly line of business has created and has a significant role in the monetary development of the country.

According to Rahayu (2007:37) argues that "LQ46 stock index is 45 companies that have the most liquid shares, able to pay off their financial obligations when the time has come by using available current actives. The

LQ45 index uses 45 selected stocks based on stock trading liquidity which has been adjusted every six months or every crew in February and August which will always change". The LQ45 index is a market capitalization value consisting of 45 stocks that are considered very liquid and have a large capitalization value and are an indicator of liquidation. The stocks listed on the LQ45 index are stocks that have the highest share transaction value which can be a good choice for investment.

II.   Literature Review

A. Stock

According to Sunariyah (2011) Shares are "a securities issued by a company in the form of a limited liability company or the so-called issuer". Meanwhile, according to Fahmi (2012:81) in his book states that shares are "paper proof of participation in capital or fund ownership in a company which is clearly stated in the nominal value, company name and followed by clear rights and obligations to each holder".

Situmorang (2008:45) in his book states that shares are evidence of capital investment in limited liability organizations with benefits that can be obtained as profits, especially part of the organizational benefits distributed to investors, additional capital is the benefits derived from the difference between the agreement and the price tag. , non-monetary gains remember the consequences for ownership of shares for this type of power, pride and in particular give a voice in determining the course of the organization.

B. Exchange Rate

According to Sukirno (2011:397) in his book states that what is meant by the exchange rate "is the difference in the price of one currency against other currencies". For a country the exchange rate determines an important role in the economy because it has a direct effect on the current account balance and other macroeconomic variables.

According to Nopirin (2012: 163) states that the exchange rate is "the price in the exchange of two different currencies, there will be a comparison of the value or price between the two certain currencies, this comparison of values is called the exchange rate". Based on the understanding of the experts above, the writer concludes that the understanding of the exchange rate is the cost of cash against foreign money, how much home currency is valued by foreign money. conversion standards are a vital cost in the economy.

C. Financial Ratio

According to James C Van Horne in Kasmir (2019:104) financial ratios "is an index that relates at least two numbers obtained by isolating one number from another. Monetary proportions are used as material to assess the presentation of an organization. The consequence of comparing the numbers in each of these sections will show the condition and monetary situation of an organization. According to Fahmi (2013:107) financial ratios "are an activity to analyze the finances of the company's financial health condition".

From the description above, the writer concludes that the notion of financial ratios is an analytical tool for the company's financial position and condition by comparing the company's financial figures listed in the financial performance reports of each company.

1. Return on Assets (ROA)

Brigham & Houston (2010:148) in his book says that "Return On Assets (ROA) is the ratio of net income to total assets to measure the return on total assets". Based on the statement above, the authors conclude that Return on Assets or ROA is a financial ratio used to determine the percentage of company profits generated from the company's assets itself. ROA is one of the ratios of profitability. The higher the percentage of an ROA, it will be known that the higher the profit that will be generated by the company.

2. Earnings Per Share EPS

Darmaji & Fakhrudin (2001) in their book states that what is meant by Earning Per Share (EPS) is "financial ratio to find out profit for investors". Meanwhile, according to Tandelilin (2010), in his book argues that earnings per share is the profit obtained by the owners of capital from the shares they own. EPS is the net profit of the company which will be distributed to the owners of capital through each share. So based on the description above, it can be concluded that EPS is a ratio that shows the amount of profit earned from each existing share. EPS is a very important reference to the performance of a company, because this will show how much money the company gets from its shareholders.

III.   Research Methods

This type of research uses data that is in accordance with the classification of quantitative research. The source of the data that the author got came from the official website of the IDX. While the time of this research

was carried out in July 2020 to July 2021.

Manufacturing companies are the population used by researchers in the LQ45 index on the IDX with data collection from 2016 to 2020. The LQ45 index companies were chosen because these companies have a fairly large contribution to Indonesia's economic development and this sector is in great demand by the public. investors who want to invest are considered to be manufacturing companies with the LQ45 index having a fairly high level of liquidity.

In this study, the authors obtained samples using purposive sampling technique in order to obtain in accordance with research needs. There are as many as 7 companies which are then multiplied by the number of research periods, namely 5 years, so the number of samples used in this study is 35 which is in accordance with research needs.

Table 1. List of Sample Companies

No	Code	Stock Name
1	ASII	Astra International Tbk
2	GGRM	Gudang Garam Tbk
3	HMSP	H.M. Sampoerna Tbk
4	KLBF	Kalbe Farma Tbk
5	SMGR	Semen Indonesia (Persero) Tbk
6	SRIL	Sri Rejeki Isman Tbk
7	UNVR	Unilever Indonesia TBk

In this study, the authors use secondary data in the form of numbers in the financial statements of manufacturing companies that are on the LQ45 index and also the exchange rate in the 2016-2020 period. In this research, documentation technique is used in obtaining data from the financial statements of the company concerned. The data includes Return On Assets (ROA), Earning Per Share (EPS), Stock Returns and also Exchange Rates.

In this study, Return on Assets (ROA) and Earning Per Share (EPS) are independent variables. Stock return is the dependent variable. Exchange rate is a moderating variable used in the implementation of the research. Researchers also used data analysis techniques with multiple linear regression analysis methods, Moderated regression analysis (MRA), and hypothesis testing.

IV.   Results And Discussion

From the results of research that has been done by the author, the following is a description of the results of hypothesis testing:

1. Effect of Return on Assets on Stock Return

From the results of calculations through the t test method as shown in the table above. It is known that the significant number for the effect of ROA (X2) on stock return (Y) is (0.036) (0.05) where the t value is calculated (17.705) t Table (2.0395) so it can be concluded that H1 is accepted and ROA has a significant effect on return share. From these results, it is explained that information regarding the increase in the percentage value of high return on assets will result in an increase in the value of high stock returns as well. Referring to the signal theory in the previous chapter which states that information about the increase in the value of a company, which in this case is ROA, will be received and received a response from shareholders as an opportunity to expect maximum investment returns.
The results of data analysis show that the results of the study are similar/in line with the research of Sutriani (2014) and Awaluddin (2020) which also analyzed the effect of variable X (ROA) on variable Y (stock returns). In this research, ROA results have a significant effect on stock returns.

2. Effect of Earning Per Share (EPS) on Stock Return

Based on the t-test calculation, the results of Earning Per Share (EPS) on Stock Return are (0.564) (0.05) and t-count is 0.582 2.03951. From this value, H2 is rejected. Thus, Earning Per Share (EPS) is declared to have no significant effect on stock returns. The results of this study are in line with the research of Utami et. al (2019) and Robit Mustofa (2020) who analyzed the effect of variable X (Earning Per Share) on variable Y (stock returns). In his research, he stated that Earning Per Share (EPS) had no significant effect on stock returns. The analysis of this study shows that the earning per share (EPS) variable is not the only factor that can affect

stock returns. The calculation of statistical results from Earning Per Share (EPS) shows a very minimal value so that the company in distributing dividends to investors who will invest is very small. For investors, the value of Earning Per Share (EPS) is high or consistently increasing, investors will respond that the company is in good condition in empowering its assets. As is well known, the higher the net profit after tax obtained by a company will increase the stock returns of shareholders so that it can attract the interest of investors.

3. Effect of Exchange Rate in moderating the relationship between Return On Assets and Stock Returns

From the results of calculations using the Moderated Regression Analysis (MRA) method as shown in the table above, it is known that the t-count value of the interaction between ROA and Exchange Rate variables is 1.739 and the value of sig. 0.092. This means that the t-count value of ROA and the Exchange Rate variable as a moderating variable is not greater than the t-table value, which is 2.03951 t-count < t table and sig value. 0.092 is greater than 0.05. So it can be concluded that the Exchange Rate is Not Moderate Significantly on the relationship between the ROA variable on Stock Return. So the decision that can be taken is that H3 is rejected.

The results of data analysis show that the results of this study are the same or similar to the results of the previous research conducted by Anis Sutriani (2014) and Istiqomah & Mardiana (2020) with a research title similar to this study, namely both using the exchange rate as a moderator. The results of their research also show that the exchange rate as a moderating variable is not able to moderate the effect of profitability ratios on stock returns. The exchange rate is not able to moderate the effect of EPS on stock returns because EPS is a profitability ratio that is closely related to the company's internals, while the exchange rate is one of the factors related to macroeconomics in terms of the company's externals.

4. Effect of Exchange Rate in moderating the relationship between Earning Per Share on Stock Return

Based on the results of data analysis using the Moderated Regression Analysis (MRA) method as shown in the table above, it is known that the t-count value of the interaction between the EPS and Exchange Rate variables is (1.573) with a significant number (0.126). This means that the t-count value of EPS and the Exchange Rate variable as a moderating variable cannot exceed the t-table number (2.03951) or t-count <t-table and the significance value (0.126) exceeds (0.05). This result states that the exchange rate is unable to moderate significantly on the relationship between the EPS variable and stock returns. So the decision that can be taken by the author is that H4 is rejected. The exchange rate is not able to moderate the effect of EPS on stock returns because EPS is one of the profitability ratios that is closely related to the company's internal, while the exchange rate is one of the factors related to macroeconomics in terms of the company's external.

The results of data analysis show that the results of the study are the same or similar to the results of previous research conducted by Istiqomah & Mardiana (2020) with a research title similar to this study, which is both using the exchange rate as a moderator. The results of their research also show that the exchange rate as a moderating variable is not able to moderate the effect of profitability ratios on stock returns.

V.   CONCLUSION AND SUGGESTIONS

Based on the results of data analysis that has been carried out by researchers regarding the effect of ROA and EPS on stock returns with exchange rates as a moderating variable for case studies in manufacturing companies listed in the LQ45 index on the IDX in 2016-2020 which has been carried out in the previous chapter, the following conclusions are obtained. :

1. Return on Assets individually has a significant effect on stock returns in manufacturing companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX) for the 2016-2020 period.
2. Earning Per Share individually does not have a significant effect on stock returns of the case study manufacturing companies listed in the LQ45 index on the Indonesia Stock Exchange for the 2016-2020 period.
3. The exchange rate is not able to strengthen or weaken the influence of ROA on stock returns in manufacturing companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX) for the 2016-2020 period.
4. The exchange rate is not able to strengthen or weaken the effect of EPS on stock returns in manufacturing companies listed in the LQ45 index on the Indonesia Stock Exchange for the 2016-2020 period.

From the conclusions presented, the researcher conveys suggestions for future researchers who will take the title of research with the same variable, it is expected to add financial performance variables and several other factors that are more specific with stock returns in research in order to maximize research results for the better.

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