

THE EFFECTS OF EARNING PER SHARE AND CURRENT RATIO ON STOCK RETURN FOR FOOD AND BEVERAGE SECTOR COMPANIES LISTED ON THE IDX DURING THE COVID-19 PANDEMIC

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ABSTRACT

The aim of this study was to determine the effects of Earning Per Share and current ratio on stock return for food and beverage sector companies listed on the IDX during the COVID-19 Pandemic for the period of 2019-2021. The population of this research consists of the Food & Beverage Manufacturing Subsector companies listed on the Indonesia Stock Exchange for the year 2019-2021, a total of 35 firms. The study sample was collected using the approach of purposive sampling, which yielded 28 firms. Earning Per Share (EPS) and Current Ratio (CR) serve as independent variables, while stock returns serve as the dependent variable. According to the findings of this study, EPS has a positive effect on stock returns, but CR has no effect.

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1. INTRODUCTION

As a result of the co-19 pandemic, Indonesia faces a variety of issues in various sectors. This condition prompts sectors to adjust or even discontinue their operations. For instance, factories that must stop the manufacturing process and offices that limit the number of active personnel have limited operation hours. This is consistent with Ramadhani's (2020) assertion that all barriers make the world sluggish. All movements are prohibited to prevent companies from selling their items. Due to the production and sale of products and services, this disrupts the economies of a region and numerous nations throughout the world [9]. The Covid-19 epidemic has generated a great deal of commercial competitiveness.

Disruption of economic processes that has a significant effect on the purchasing power of individuals, particularly in the food and beverage sector. Various obstacles existed throughout the Covid-19 pandemic. Therefore, every company must effectively manage its money such that the costs incurred are substantial. Therefore, organizations require a capital market investment. Where capital is crucial to the operation of a company.

Moreover, investment in the capital market is an alternate way to invest in financial assets that are in high demand among investors. The Capital Market Act No. 8 of 1995 defines the capital market as involving public offers and securities trading, public companies associated to the securities issued, and institutions and professions related to securities. The ownership of stocks, bonds, mutual funds, derivative instruments, and other instruments may constitute an investment. In addition, the capital market facilitates the financial growth of capital owners (financial bakers). Additionally, investment knowledge, minimum capital policies, and capital market education affect capital market investment interest[12].

Every investor places a premium on a high stock return when determining the value of investors who are attempting to assess EPS and capital market circumstances. Earning Per Share (EPS) is often of interest to shareholders and potential investors since it indicates the success of a company. EPS is the ratio between net income before taxes and the price per share. EPS reveals the amount of profit investors receive per share owned.

Current Ratio (CR) demonstrates a firm's capacity to satisfy short-term commitments and finance operational activity; if a company can finance its operational activities effectively, investors will be more attracted to it. A company with a high Current Ratio (CR) is liquid; liquid companies are more desirable to

investors. If numerous investors are interested in purchasing a company's stock, then the stock price of that company will increase, as will the stock return.

Investors may consider the company's effect in the future in light of its current degree of performance and its positive outlook. Investors may heavily examine the rise of the company's profits per share when making investment selections. If the stock price reflects the capitalization of predicted future profits, then an increase in earnings can cause the share price and market capitalization to rise.

2. LITERATURE REVIEW

Signalling Theory

According to signaling theory, every action contains information. This is due of the circumstance of asymmetric information, in which one side has more information than the others. example as firm management having better information than capital market investors [3].

Capital Market Investment

Investment is the temporary postponement of consumption in order to acquire productive assets [5]. In addition, investing may be viewed as a promise to spend a part of one's finances or assets to generate future returns [12]. In addition, there are two types of investment, namely direct investment and indirect investment, each of which has two subtypes, namely real investment and financial investment. In this case, investment management through a process that assists the formulation of policies and objectives, as well as oversight of investment in obtaining profits. Investment management involves a number of parties, each of whom has functions and responsibilities according to their specialization, namely: 1. Investment manager, 2. Investment manager representative, 3. Investment adviser, 4. Mutual fund selling agent, 5. Securities selling agent representative mutual funds, 6. Bank custodian.

Furthermore, the capital market is broadly a meeting place for investors and issuers. Investors in the capital market are parties who have funds, while issuers are parties who usually come from business entities that need capital. Capital markets tend to offer long-term funding. For this reason, the instruments traded in the capital market are usually in the form of stocks, bonds, and mutual funds. Beyond that, the capital market also has other instruments such as exchange traded funds (ETF) and derivatives. The advantages of investing in the capital market are, 1. Can be used as collateral, 2. Relatively high profit levels. 3. A wide selection of instruments.

Stock Returns

Return is the result obtained from the investment. Returns can be realized returns that have occurred or expected returns that have not occurred but are expected to occur in the future. Return realization (realized return) is a return that has occurred. Realized return is calculated based on historical data. Return realization is important because it is used as a measure of the company's performance. This historical return is also useful as a basis for determining expected return and risk in the future. Return expectations (expected return) is the return expected to be obtained by investors in the future. In contrast to realized returns which have already occurred, expected returns have not occurred [5]. Total return is often called just return. Systematically, returns can be formulated as follows:

$$\text{Return} = \frac{P_t - (P_t - 1)}{P_t - 1} \times 100\%$$

Information:

Pt: Current period share price (calculated period)

Pt-1: Previous period share price

Earning Per Share (EPS)

Information on a company's EPS shows the amount of company's net profit that is ready to be distributed to all company shareholders. The amount of a company's EPS can be known from the company's financial statement information. Although some companies do not include the amount of the company's EPS in their financial statements, the amount of EPS of an independent company is calculated based on information on the company's balance sheet and income statement [12]. EPS can be formulated by the formula:

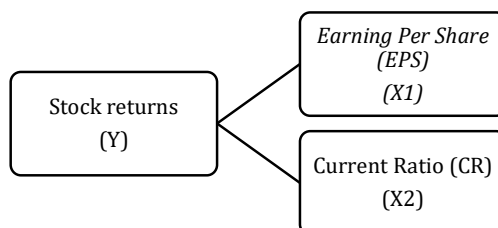
$$\text{EPS} = \frac{\text{net profit}}{\text{number of outstanding shares.}}$$

Current Ratio

This ratio is used to measure a company's ability to meet all of its short-term obligations. Current Ratio is a comparison between Current Assets and Current Liabilities. So that mathematically the Current Ratio (CR) can be formulated as follows (Hudana, 2011) in Tarmizi et al (2018):

$$\text{CR} = \frac{\text{Current Asset}}{\text{Current Liabilities}} \times 100\%$$

Theoretical Framework



Hypothesis

EPS relationship to stock returns

EPS for investors' information is regarded the most fundamental and essential information since it may indicate the future earnings possibilities of a company. A rise in EPS indicates that the company is in a growth stage or that its financial state is characterized by a rise in sales and earnings. If the EPS value is low, it may be inferred that management has not maximized its efforts to give shareholder happiness, and if it is high, it indicates that shareholders will be more wealthy [6]. Large EPS reflects the company's capacity to earn high net profits per share, which will effect the capital market returns investors receive [1].

EPS has been shown to have a significant effect on stock returns in previous research by [7]. However, it is different from the results of [3], which states that there is no effect of EPS on stock returns. So the hypothesis is formulated:

H1: Earning Per Share (EPS) has an influence on stock returns

CR relationship to stock returns

Kasmir (2018, 130) stated that the Current Ratio demonstrates the extent to which current assets cover current liabilities. This ratio indicates the extent to which creditors' demands are fulfilled by assets that are projected to be converted into cash within the same period as the maturity of the loan. A low Current Ratio is sometimes seen as an indication of a liquidation issue, whereas a high Current Ratio shows a big quantity of idle money, which might limit a company's profit potential.

The current ratio (CR) has been shown to have a partially positive and significant effect on stock returns [2]. However, it is different from the results of research by [4], which states that CR has no effect on stock returns. So the hypothesis is formulated:

H2: Current ratio (CR) has an influence on stock returns

3. METHOD

This study employs a quantitative research strategy with a descriptive methodology. Whereas, according to [10], a research technique is a scientific methodology to collect data for specific aims and applications. Researchers employ a quantitative research approach for their investigations. According to [10], quantitative data is a research method based on positivism (concrete data); research data is in the form of numbers that will be measured using SPSS as a calculation test instrument; and the data is related to the problem being studied in order to reach a conclusion.

This study intends to define the research object or research outcomes by using the location of the Indonesia stock exchange (IDX) and the population and samples of food and beverage manufacturing businesses listed on the IDX from 2019 to 2021. The types and sources of data utilized in this study are

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secondary data. The information utilized in this study was acquired from the Indonesian Stock Exchange (idx) and corporate websites pertaining to the 2019–2021 time frame. In the meanwhile, literature reviews and documentation were utilized in the data gathering phase. In addition, the researchers analyzed the hypotheses derived from the literature, papers, and journals, as well as the outcomes of prior investigations, so that they could comprehend the pertinent material.

The research population and sample comprised of all manufacturing companies in the food & beverage subsector throughout the study period, between 2019 and 2021, with a maximum of 35 companies selected using a technique of purposive selection with the following criteria:

- a. Manufacturing companies in the food & beverage sub-sector that are listed on the Indonesia Stock Exchange and consistently exist during the study period (2019-2021).
- b. Manufacturing companies in the food & beverage sub-sector which provide financial report data during the research period (2019-2021).

This study uses 28 food & beverage sub-sector manufacturing companies listed on the IDX for the 2019-2021 period that have met the criteria. The data collection method uses documentation based on financial reports published by the Indonesia Stock Exchange through the Indonesia Stock Exchange (IDX) for the 2019 – 2021 period. Financial ratio data, namely Earning Per Share (EPS) and stock returns, are taken from the Indonesia Stock Exchange (IDX).

Table 1. List of companies manufacturing the food and beverage sector on the IDX from 2019-2021.

Food and Beverage Sector		
1	ADES	Akasha Wira International Tbk
2	AISA	Tiga Pilar Sejahtera Food Tbk
3	ALTO	Tri Banyan Tirta Tbk
4	BTEK	Bumi Teknokultura Unggul Tbk
5	BUDI	Budi Starch Sweetener Tbk
6	CAMP	Campina Ice Cream Industry Tbk
7	CEKA	Cahaya Kalbar Tbk
8	CLEO	Sariguna Primatirta Tbk
10	COCO	Wahana Interfood Nusantara Tbk
11	DLTA	Delta Djakarta Tbk
12	DMND	Diamond Food Indonesia Tbk
14	FOOD	Sentra Food Indonesia Tbk
15	GOOD	Garudafood Putra Putri Jaya Tbk
16	HOKI	Buyung Poetra Sembada Tbk
17	ICBP	Indofood CBP Sukses Makmur Tbk
19	IKAN	Era Mandiri Cemerlang Tbk
20	INDF	Indofood Sukses Makmur Tbk
22	KEJU	Mulia Boga Raya Tbk
24	MLBI	Multi Bintang Indonesia Tbk
25	MYOR	Mayora Indah Tbk
27	PANI	Pratama Abadi Nusa Industri Tbk
28	PCAR	Prima Cakrawala Abadi Tbk
30	PSDN	Prasidha Aneka Niaga Tbk
31	PSGO	Palma Serasih Tbk
32	ROTI	Nippon Indosari Corpindo Tbk
33	SKBM	Sekar Bumi Tbk
34	SKLT	Sekar Laut Tbk
35	STTP	Siantar Top Tbk

4. RESULT AND DISCUSSION

Normality Test

Table 2. Normality test	
One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
Asymp. Sig. (2-tailed)	.200 ^{c,d}

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Based on the normality test using the Kolmogorof-Smirnov test, the data processing results showed a significance level of 0.200 flat. Significance greater than 5% or (0.05). This means that the data is normally distributed and can be tested further.

Multicollinearity Test

Table 3. Multicollinearity Test (One-Sample Kolmogorov-Smirnov Test)

Model		Collinearity Statistics	
		Tolerance	VIF
1	EPS	.910	1.099
	CR	.910	1.099

Dependent Variable: STOCK RETURN

Based on the multicollinearity test table, the value of the independent variable is less than 10. So the EPS variable is 1.099 and the CR is 1.099. Therefore, the results of testing the regression model do not show any indication of multicollinearity in the regression model. This means that all the independent variables are feasible to be used as predictors.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Test results		t	Sig.
1	(Constant)	2.544	.017
	EPS	.857	.399
	CR	.249	.805

a. Dependent Variable: ABS_RES

Based on the heteroscedasticity test table, the independent variables have a value that is greater than the significant level of 0.05, namely the EPS variable is 0.399 and the CR is 0.805. So that the test results showed no symptoms of heteroscedasticity.

Correlation Auto Test

Table 5. Auto Correlation Test (Run Test)

Asymp. Sig. (2-tailed)	Unstandardized Residual
	1.000

Based on the results of the tests that have been carried out, as shown in the table above, it can be seen that the Runs Test value is 1,000, and it can be concluded that the regression model is free from autocorrelation.

Multiple Regression Test

The multiple linear regression formula in this study is:
 $Y = \alpha + b_1X_1 + b_2X_2 + e$

Table 6. Multiple Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.752	.491		-7.643	.000
	EPS	.001	.114	.002	.991	.011
	CR	.074	.391	.038	.851	.190

a. Dependent Variable: STOCK RETURN

From the table it can be written a linear regression equation which can explain whether or not there is a relationship between the independent variable and the dependent variable. From the table it can be written the regression equation as follows:

$$Y = -3,752 + 0,001 \text{ EPS} + 0,074 \text{ CR} + e$$

Information:

EPS : Earning Per Share
 CR : Current Ratio
 α : constant
 b : regression coefficient
 e : error

Hypothesis Testing Results

a. The effect of EPS on stock returns

From the above test it can be obtained that the EPS value has a regression coefficient of 0.001. The significant EPS value is 0.011 which is smaller than the expected significance (0.05), which shows the EPS variable has a positive and significant effect on stock returns in Manufacturing companies in the Food & Beverage Sub-sector listed on the Indonesia Stock Exchange for the 2019-2021 period, which means H1 received.

b. Effect of Current Ratio on stock returns

From the above test it can be obtained that the Current Ratio value has a regression coefficient of 0.074. The significant value of the Current Ratio is 0.190 which is greater than the significant expected (0.05), which shows that the Current Ratio variable has a positive and insignificant effect on stock returns in Manufacturing companies in the Food & Beverage Sub-sector listed on the Indonesia Stock Exchange for the 2019-2021 period which means H2 is rejected.

c. Coefficient of Determination (R^2)

Table 7. Determination Coefficient Test

Model Summary			
Mode	R	R Square	Adjusted R Square
1	.880 ^a	.789	.776

The table shows the Adjusted R Square value of 0.776 or 77.6%. This shows that the independent variable can explain the variation of the dependent variable by 77.6%, while the remaining 22.4% is explained by other variables outside the study.

5. CONCLUSION

Based on the results of research that was conducted on food & beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) for 2019-2021, it was concluded that the sample used in the study met the criteria of 28 companies. The Earning Per Share (EPS) value is positive and the significance level is less than 0.05, so H1 is accepted. The Current Ratio (CR) value on stock returns is positive and the significance level is greater than 0.05, so CR has no positive effect and H2 is rejected.

On the basis of the above results, the authors provide proposals for expanding research by increasing the number of cases and the duration of the study. Future studies should incorporate independent factors. Other financial measurements must also be considered, and the calculations involved in deciding to acquire shares will be more complex, therefore other financial measures must also be utilized when deciding to purchase shares.

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