



## Analysis of the Effect of Solvability Ratio, Profitability, and Market Ratio on Share Prices of Pharmaceutical Sub Sector Companies Listed on Indonesia Stock Exchange (IDX) Period 2014-2018

### Article History

Received  
3 April 2020  
Received in revised form  
1 May 2020  
Accepted  
7 May 2020  
Published Online  
31 May 2020

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### Abstract

This research aims to determine the effects of financial ratios to share prices in pharmaceutical sector companies in Indonesia. The dependent variable used was Share Prices, while the independent variable included EPS, DER, ROA and PER. The samples taken were the companies listed on the pharmaceutical sector of Indonesia Stock Exchange which were selected using purposive sampling. Among 12 companies listed on the pharmaceutical sector in the population, 3 companies have not published financial reports. Hence, the samples used in this research were only 9 companies. The method used was linear regression. The result showed that, earnings per share have positive influence to the share prices, debt to equity ratio have negative influence to the share prices, return on assets have positive influence to the share prices and price earnings ratio have positive influence to the share prices.

**Keywords:** Earnings per Share; Debt to Equity Ratio; Return on Assets; Price Earnings Ratio

## 1.0 INTRODUCTION

The capital market play an important role for the economy of a country because it carries out a function, namely as a means of financing business or as a means for companies to obtain funds from the investor community. So a country can be said to be developed if the growth of its capital market has been going well and continues to grow every year – and investment is used as income to meet long-term needs. Investing in the capital market has its own appeal for investors, because it promises two benefits, namely dividends and capital gains. This dividend is usually distributed to stock owners with the approval of the stockholders, which is obtained from the profits generated by the company while the capital gain itself is obtained from the positive difference between the selling price of the stocks and the buying price of the stocks. In investing, there must be a risk, therefore in investing both in the capital market and in the money market, investors should not only consider the results that will be obtained, but also consider the risks that will occur. Thus, there needs to be an understanding in order to avoid or at least minimize the losses that will occur in investing.

In Indonesia there is a capital market called the Indonesia Stock Exchange (IDX) which is a place for investors to view company stocks. One of the sectors listed on the Indonesia Stock Exchange is the Pharmaceutical sector. The pharmaceutical sector plays an important role in reforming the health sector, because health problems are closely related to the availability of medicines needed by the community.

The IDX composite growth rate in 2014 - 2018 experienced an increase and decrease; the IDX composite describes a series of historical information regarding the movement of composite stock prices up to a certain date. The purpose of the composite itself is the performance of stocks that are included in the calculation of more than one, even all stocks listed on the stock exchange (Sunariyah, 2004). The IDX composite number in 2018 reached 6,194.498 billion rupiah, which is a decrease from the previous year which reached 6,355.654 billion rupiah. As for the sectoral index, the consumer good industry sector gets a bigger number than other sectors each year, this consumer good industry sector includes the pharmaceutical sub-sector. Thus, it can be said that for the

pharmaceutical sector the market value is more profitable compared to the food and beverage sector. This is evident from the statement of the president director of PT. Kalbe Farma Tbk, Mr. Vidjongtius, who says that the Indonesian pharmaceutical industry is listed as the largest in ASEAN, even it contributes approximately 40 percent of the total ASEAN pharmaceutical market share and globally Indonesia is in the 23<sup>rd</sup> position. Indonesia is also predicted that in 2020 its pharmaceutical market is projected to reach IDR 102.8 trillion, which is an increase of almost two times compared to 2016 which amounted to IDR 69.1 trillion – and in 2018 which amounted to IDR 82 trillion.

One of the important economic data used to read the potential direction of the next market movement is Gross Domestic Product (GDP). GDP is the market value of all final goods and services produced in a country in a certain period of time. Currently, Indonesia is in the first position in ASEAN in terms of economic growth – as measured by the amount of GDP at the current price of \$ 1022.45 in 2018.

With the current condition of Indonesia's GDP, the Indonesian economy can be said to be "healthy". If a country's economy is in a good condition, domestic and foreign investors will choose to buy companies or invest in that country. Investors usually monitor GDP growth to assess whether economic growth is changing rapidly or not, so that they will be able to decide on their asset placement.

But before buying/purchasing and selling stocks, investors will carry out a security analysis to find out whether the stocks to be purchased can generate profits or not. There are three ways to analyze stocks in the capital market, namely: (1) Fundamental Analysis, (2) Technical Analysis, and (3) Bandarmology Analysis. In this study the researcher would use Fundamental Analysis as the basis for measuring stock prices. In analyzing stocks from this perspective, investors must be diligent in reading the latest economic news and financial reports of the issuer before investing in a particular stock. What needs to be considered here is to observe the actual data. One of the fundamental analysis approaches that is often used is the Top-Down Approach, which is an analysis that starts with analyzing the macroeconomic conditions, industrial companies, then company condition.

After taking/conducting a top-down analysis approach, the next thing that is also important is to calculate the fair value or intrinsic value of a stock using the company's financial statements. In the financial statements of a company, there will be ratios that should be considered by investors before investing. These financial ratios are liquidity, solvency, profitability, activity and market value.

Researches related to the effect of financial ratios on stock prices have been conducted by one of which is (Egam, Ilat, & Pangerapan, 2017) regarding the Effect of ROA, ROE, NPM, and EPS on Stock Prices. And the results of this research show that EPS has a positive influence on stock prices, which means that the higher the EPS, the higher the investor's interest in investing because the profits that will be obtained will be greater. Next, (Ratih, Apriatni, & Saryadi, 2013) also conduct a research regarding EPS, PER, DER, ROE on Stock Prices in Mining Sector Companies with the results that reveal EPS, PER and ROE have a significant positive effect on stock prices while DER has a significant negative effect on stock prices. Furthermore, (Sondakh, Tommy, & Mangantar, 2006) research results show that CR, DER, ROA and ROE have a significant effect on stock prices. The increased ROA and ROE will significantly affect the company's stock price increase. In addition, (Susilawati, 2012) research results reveal that ROA is the variable that most influences the stock price [with a percentage] of 40.2%, which means that any increase in ROA will result in capital gains for long-term (annual) benefits. (Dewi & Suaryana, 2015) research results reveal that EPS has a significant and positif effect on stock prices, which means that if EPS increases, it will be followed by an increase in stock prices. This is because EPS is an indicator or reference for investors in conducting stock analysis before making an investment decision. (Pratama & Erwati, 2014) research results reveal that CR, DER, and EPS have a significant positive effect on stock prices in which indicates that the lower the DER, the smaller the foreign capital used in the company's operations so that the risk borne by investors will also be smaller and eventually it will be able to increase the stock price. (Law Ren Sia & Tjun Tjun, 2011) research results reveal that EPS and PER have a significant effect on stock prices. This influence is due to the fact that investors are interested in company profits as they predict the amount of earnings of a company in the future.

## 2.0 LITERATURE REVIEW

### Definition of Stock Price

The stock price is the closing price of the stock market during the observation period for each type of stock sampled and its movements are always observed by investors. One of the basic concepts in financial management is that the goal of financial management is to maximize company value. For companies that have gone public, this goal can be achieved by maximizing the market value of the stock price concerned. Thus decision making is always based on considerations of maximizing the wealth of stockholders.

According to Sartono (2008: 70), stock prices are formed through the supply and demand mechanism in the capital market. If a stock is in excess of demand, the stock price tends to rise. Conversely, if it is lack of demand, the stock price tends to fall.

According to Brigham and Houston (2010: 7) stock price determines stockholder wealth. Maximizing stockholder wealth is translated/interpreted into maximizing the company's stock price. The price of a stock at any given time will depend on the cash flows that the "average" investor is expected to receive in the future if the investor buys/purchases the stock.

### Earnings per Share

Earnings per share or income per share is a form of giving profits to stockholders from each stock owned.

$$\text{Earnings Per Share} = \frac{\text{Earnings after Tax (EAT)}}{\text{Average Outstanding Common Shares}}$$

### Debt to Equity Ratio

DER is used to measure how much the company is financed by creditors compared to equity. The ratio of liabilities to equity or debt to equity ratio is a balance between the liabilities owned by the company and its own capital. The higher this ratio means that the capital itself is less than the liabilities, thus the smaller this ratio the better.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

### Return on Assets

Return on assets is the company's ability to generate profits with all the assets owned by the company. This ratio is also known as economic profitability. In ROA, the profit generated is profit before interest and tax or EBIT. This ratio measures the level of profit or EBIT of the assets used, the bigger the ratio, the better.

$$\text{Return On Assets} = \frac{\text{Earnings after Tax (EAT)}}{\text{Total Assets}}$$

### Price Earnings Ratio

Price earnings ratio is the ratio between market price per share and earnings per share. For investors, the higher the price earnings ratio, the expected profit growth will also increase.

$$\text{Price Earnings Ratio} = \frac{\text{Market Price per Share}}{\text{Earnings per Share}}$$

### The Effect of Earnings per Share (EPS) on Stock Prices

Earnings per Share describes the profitability of the company which is directly reflected on each stock/share. The higher the earnings per share, the happier the stockholders because the profit provided to the stockholders will be greater, so that the stock price will increase. Previous researches by (Dewi & Suaryana, 2015; Egam et al., 2017; Nurfadillah, 2011; Pratama & Erawati, 2014; Ratih et al., 2013) state that EPS has a significant positive effect on stock prices. Based on previous theory and researches, the following hypothesis can be taken:

H1: EPS has a positive effect on stock prices in pharmaceutical sector companies listed on the Indonesia Stock Exchange (IDX) in 2014 – 2018 periods.

### The Effect of Debt to Equity Ratio (DER) on Stock Prices

Debt to equity ratio will affect the stock price because DER can measure the company's ability to meet debt obligations. The company's stock price will be maximized if the company can reduce costs. Therefore, companies must combine their own capital with outside sources of funds which will reduce the company's cost of capital to the most appropriate proportion, which will then increase the company's stock price. This statement is supported by researches that have been conducted by (Dewi & Suaryana, 2015; Nurfadillah, 2011; Ratih et al., 2013) – in which their researches results reveal that DER has a significant negative effect on stock prices. Based on previous theory and researches, the following hypothesis can be taken:

H2: DER has a negative effect on stock prices in pharmaceutical sector companies listed on the Indonesia Stock Exchange (IDX) in 2014 – 2018 periods.

### The Effect of Return on Assets (ROA) on Stock Prices

The Return on Asset indicator is one of the financial indicators that is often used in assessing company performance. ROA is used to measure the company's ability to generate profits with the number of assets in the company. With the increase in Return on Assets, it means that the company's performance is getting better and as a result, the company's stock price is increasing. This means that the higher the ROA of a company, the higher the resulting stock price. The results from researches that have been conducted by (Sondakh et al., 2006;

Susilawati, 2012) reveal that ROA has a significant effect on stock prices. Based on previous theory and researches, the following hypothesis can be taken:

H3: ROA has a positive effect on stock prices in pharmaceutical sector companies listed on the Indonesia Stock Exchange (IDX) in 2014 – 2018 periods.

### The Effect of Price Earnings Ratio (PER) on Stock Prices

Price Earnings Ratio is used by investors to predict the company's ability to generate profits in the future. Companies that have a high Price Earnings Ratio usually have a high chance of growth, and vice versa. The higher the PER, the greater the stock price is. This statement is supported by research that has been conducted by (Ratih et al., 2013) – in which it states that PER has a significant positive effect on stock prices. Based on previous theory and research, the following hypothesis can be taken:

H4: PER has a positive effect on stock prices in pharmaceutical sector companies listed on the Indonesia Stock Exchange (IDX) in 2014 – 2018 periods.

### Conceptual Framework

The research framework is described in Figure 1.

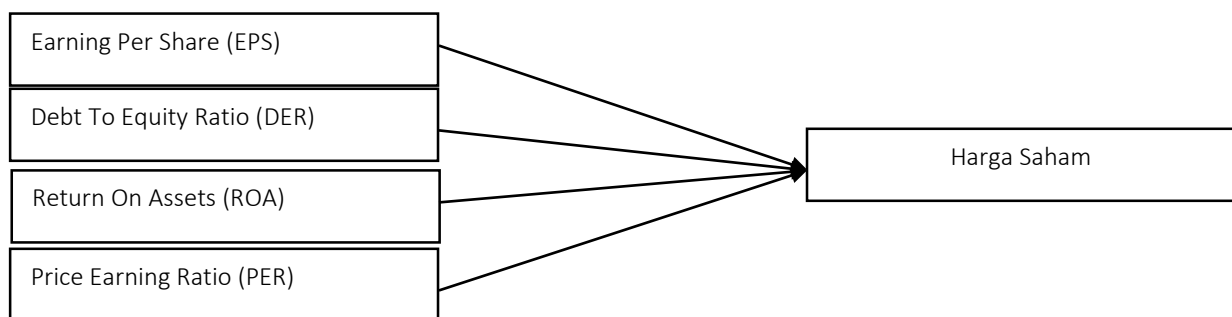


Figure 1. Conceptual Framework

## 3.0 METHODOLOGY

### Population and Sample

Population is a generalization area consisting of objects/subjects that have certain qualities and characteristics that are determined by the researcher to be studied and then drawn conclusions (Sugiyono, 2011: 80). The population in this study was pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange (IDX). The samples were some objects taken from the number and characteristics that are considered to represent the population. The sample used in this study was the pharmaceutical sub-sector listed on the Indonesia Stock Exchange (IDX) in 2014 – 2018 periods. The population of this study consisted of 12 companies on the Indonesia Stock Exchange – which were selected using the purposive sampling method, which means that the sample selection technique is based on certain characteristics that are considered to be related to previously known characteristics.

### Operational Definition of Research Variables

The measurement of operational variables can be seen in Table 1.

Table 1. Operational Variables and Measurements

Variable	Research Methods	Source	Scale
Stock Price (Y)	Closing Price Every Day	(Fahmi, 2018)	Ratio
EPS (X1)	$EPS = \frac{\text{Earnings after Tax (EAT)}}{\text{Average Outstanding Common Shares}}$	(Fahmi, 2018)	Ratio
DER (X2)	$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$	(Robinson, Greuning, Henry, & Broihahn, 2009)	Ratio
ROA (X3)	$ROA = \frac{\text{Earnings after Tax (EAT)}}{\text{Total Assets}}$	(Çekrezi, 2013)	Ratio
PER (X4)	$PER = \frac{\text{Market Price per Share}}{\text{Earnings per Share}}$	(Hanafi & Halim, 2018)	Ratio

## Data Analysis Technique

### Descriptive Analysis

Descriptive analysis is an analysis that is always used in describing the research variable data to be studied. In this descriptive analysis, the data observed were the amount of data, the average/mean value, the maximum value and the minimum value.

### Multicollinearity Test

Multicollinearity test was carried out in this study to ascertain whether in a regression model there is intercorrelation or collinearity between independent variables. The method used to detect the presence or absence of this multicollinearity is the Variance Inflation Factor (VIF). The cutoff value that is usually used to indicate the presence of multicollinearity is a tolerance value of  $< 0.10$  or equal to the VIF value of  $> 10$ .

### Autocorrelation Test

As shown in Table 2, autocorrelation test was carried out in this study as an attempt to determine whether in a linear regression model there is a correlation between the existing data on the research variables. Autocorrelation test is only carried out on time series data and does not need to be done on questionnaire data where all variables are measured simultaneously at the same time. The analytical tool used to detect autocorrelation is the Durbin - Watson test (DW test).

Table 2. Autocorrelation Test

No.	Test results	Decision	Null Hypothesis
1	$0 < d < dl$	Rejected	There is no positive autocorrelation
2	$dl \leq d \leq du$	There is no decision (Undecided)	There is no positive autocorrelation
3	$4 - dl < d < 4$	Rejected	There is no negative autocorrelation
4	$4 - du \leq d \leq 4 - dl$	There is no decision (Undecided)	There is no negative autocorrelation
5	$Du < d < 4 - du$	Accepted	There is no positive/negative autocorrelation

Source: (Gujarati & C. Porter, 2009)

### Heteroscedasticity Test

Heteroscedasticity test was carried out in this study as an attempt to determine whether in the regression model there is an inequality of variants from the residuals of one observation to another. If the residual variants from one observation to another are the same, it is called as homoscedasticity. Conversely, if the residual variants from one observation to another are not the same, it is called as heteroscedasticity. The decision making criteria in this test according to Ghozali (2016: 134) is that if there is a certain pattern, such as the existing dots forming a certain regular pattern (wavy, widening then narrowing) then heteroscedasticity has occurred. Conversely, if there is no clear pattern and the dots spread above and below the 0 on the Y axis, there is no heteroscedasticity.

### Multiple Linear Regression Analysis

Multiple linear regression equation is intended to explain the effect of all independent variables on the dependent variable. The regression model used in this study is stated in the following equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where:

- Y = dependent variable (Stock Price)
- a = constant value
- b = regression coefficient
- X1 = Earnings per Share (EPS)
- X2 = Debt to Equity Ratio (DER)
- X3 = Return on Assets (ROA)
- X4 = Price Earning Ratio (PER)
- e = standard error

### Determination Coefficient Test ( $R^2$ )

The coefficient of determination ( $R^2$ ) test was carried out in this study to see the extent of the model's ability to explain the variation in the dependent variable.  $R^2$  value is between 0 and 1, which is the closer to 1 or 100%, the greater the influence of the independent variable on the dependent variable.

### Statistical Test F

The F statistical test is used to determine whether the independent variables contained in the regression equation simultaneously affect the value of the dependent variable. The F statistical test was carried out in this study by using the following decision criteria: (1) If  $F_{\text{Count}} > F_{\text{Table/sig}} < 0.05$  = Model is feasible (which means X1 (EPS), X2 (DER), X3 (ROA), X4 (PER) simultaneously affect Y ( Stock Price); (2) If  $F_{\text{Count}} < F_{\text{Table/sig}} > 0.05$  = Model is not feasible (which means X1 (EPS), X2 (DER), X3 (ROA), X4 (PER) simultaneously have no effect on Y ( Stock price).

## 3.0 RESULTS AND DISCUSSION

### Test results

#### Multicollinearity Test Results

Table 3. Multicollinearity Test Results

Variable X	Stock price	Information
EPS	1.442	Multicollinearity does not occur
DER	1.453	Multicollinearity does not occur
ROA	1.015	Multicollinearity does not occur
PER	1.006	Multicollinearity does not occur

Source: SmartPLS Processed Data, 2019

Based on the data in the table 3, it can be seen that the VIF value is less than 10; thus, it can be said that the independent variables, namely, Earnings per Share Ratio, Debt to Equity Ratio, Return on Assets and Price Earning Ratio do not experience multicollinearity.

#### Determination Coefficient Test ( $R^2$ ) Result

Table 4. The results of the coefficient of determination ( $R^2$ )

	R Square	R Square Adjusted
Stock price	0.183	0.101

Source: SmartPLS Processed Data, 2019

Based on the data in the table 4, it can be seen that the R Square value is 0.101 or 10.10% which indicates that the stock price can be explained by independent variables (EPS, DER, ROA and PER) by 10.10%, while the remaining 89.90% is explained by other unexplained variables in this study.

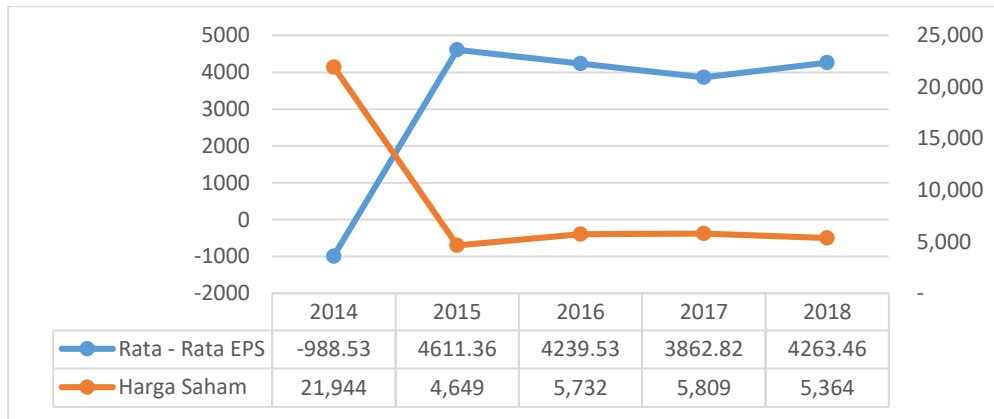
### T Statistical Test Results and Hypothesis Discussion

Table 5. T Test Results

	Original Sample (O)	T Statistics ( O/STDEV )	P Values
EPS » STOCK PRICE	0.499	1.123	0.131
DER » STOCK PRICE	-0.327	0.694	0.244
ROA » STOCK PRICE	0.089	0.645	0.260
PER » STOCK PRICE	0.041	0.319	0.375

Source: SmartPLS Processed Data, 2019

Table 5 shows the T Test Results of this research. First, the results of T Statistics test  $< t$ -table, and the significance of  $0.131 > 0.05$ , thus the null hypothesis ( $H_0$ ) is accepted and the alternative hypothesis ( $H_1$ ) is rejected which means that EPS does not have a significant effect on stock prices.



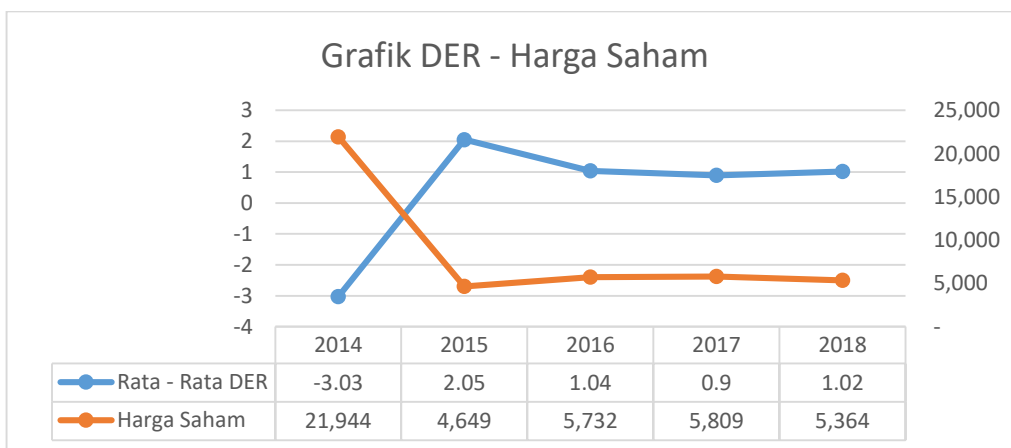
Source: [www.idx.co.id](http://www.idx.co.id) (Processed Data using Ms. Word, 2020)

Figure 2. Stock Price Movement - EPS

Based on the results of multiple linear regression analysis, it is known that EPS has a positive effect on stock prices and from the results of the T test it is also known that EPS partially does not have a significant effect on stock prices. It can be seen in Figure 2 that there was a decline in all stock prices of pharmaceutical companies in 2015 due to the weakening of the Indonesian economy in that year, and in the same year the EPS of the KLBF, MERK, and TSPC issuer companies also experienced a decline, where the biggest decline occurred in MERK issuer which in 2014 it processed EPS of 8132 and decreased in 2015 with EPS of 2463. In 2016 the stock price of SIDO issuer decreased again by 30 from the previous year while the stock prices of other issuers experienced an increase from 2015, while for EPS, several issuers also experienced a decline, such as INAF, MERK and SCPI – and again, MERK issuer is the one whose EPS experienced the biggest decline. Furthermore, in 2018 the EPS of TSPC issuer decreased by 7 from the previous year and the stock prices of DVLA, KAEF, KLBF, MERK and TSPC issuers also experienced several decreases. The increase and decrease that occur in stock prices and EPS have caused EPS to be insignificant towards the stock price. Indeed, EPS is not an absolute number because in the process EPS is sometimes distorted by other factors such as other earnings/incomes including subsidiary earnings/incomes and corporate taxes.

These results are in line with the results from (Dewi & Suaryana, 2015; Egam, Ilat, & Pangerapan, 2017; Nurfadillah, 2011; Pratama & Erawati, 2014; Ratih, Apriatni, & Saryadi, 2013) researches – in which they state that EPS has a positive effect on stock prices.

Second, the results of T Statistics test  $< t$ -table, and the significance of  $0.244 > 0.05$ , thus the null hypothesis ( $H_0$ ) is accepted and the alternative hypothesis ( $H_2$ ) is rejected which means that DER does not have a significant effect on stock prices.



Source: [www.idx.co.id](http://www.idx.co.id) (Processed Data using Ms. Word, 2020)

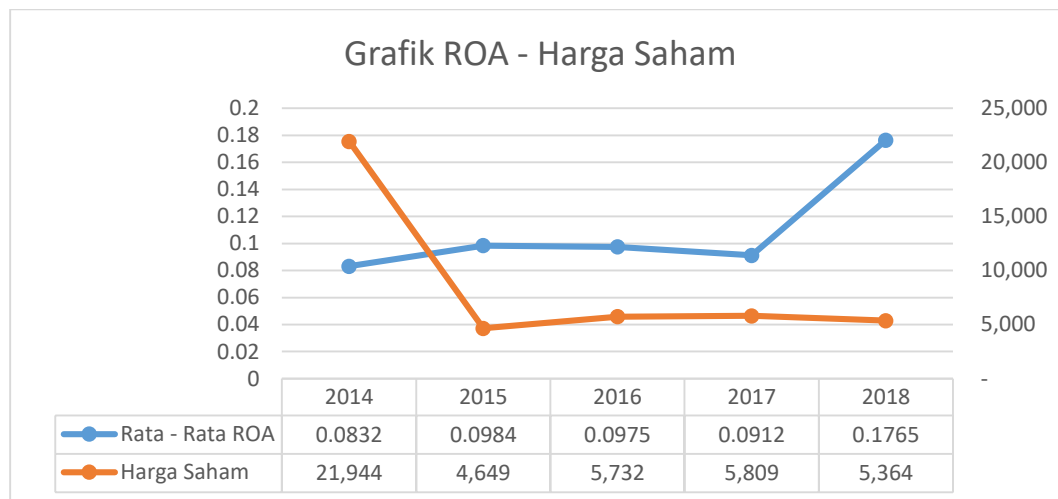
Figure 3. Stock Price Movement – DER

Based on Figure 3, it can be seen that the average value of DER increased in 2015 and decreased in 2016 – 2017; then the average stock price showed an ups and downs from 2014 - 2018. Changes that occur between DER and stock prices could be said to have caused DER to be insignificant towards stock price. According to (Putri, 2014) the insignificant effect of DER on stock prices is also possible due to companies that are not solvable. A

company is said to be not solvable if its total debt (total liabilities) is greater than its equity, thus the company is unable to meet its long-term obligations. The results of this study also indicate that changes in DER have no effect on the decision on stock prices in the Indonesian capital market, this may occur because investors do not consider the use of debt or the return on interest and principal debt as important, which will not affect investors' perceptions of future profits which will come.

These results are in line with the results from (Dewi & Suaryana, 2015; Nurfadillah, 2011; Ratih et al., 2013) researches – in which they state that DER has a negative effect on stock prices, but different from the results from (Amanda, Darminto, & Husaini, 2012; Pratama & Erawati, 2014; Sondakh, Tommy, & Mangantar, 2006; Susilawati, 2012) researches – in which they state that DER has a positive effect on stock prices.

Third, the results of T Statistics test  $< t$ -table, and the significance of  $0.260 > 0.05$ , thus the null hypothesis ( $H_0$ ) is accepted and the alternative hypothesis ( $H_3$ ) is rejected which means that ROA does not have a significant effect on stock prices.



Source: [www.idx.co.id](http://www.idx.co.id) (Processed Data using Ms. Word, 2020)

**Figure 4. Stock Price Movement - ROA**

Based on the results of multiple linear regression analysis, it is known that ROA has a positive effect on stock prices and from the results of the T test it is also known that ROA partially does not have a significant effect on stock prices. It can be seen in Figure 4 where in 2015 the ROA of KAEF, KLBF and TSPC issuers experienced a decline and stock prices of all listed companies in 2015 also experienced a decline. From 2016 to 2018 the ROA of KAEF and TSPC issuers continued to experience a large decline/decrease and for the stock prices of KAEF and TSPC issuers were also often experienced a decline/decrease followed by an increase. This increase and decrease occur because stock prices experience fluctuations that are difficult to predict every year. The highest ROA value was in 2018 with 0.9210, which indicates that MERK issuer company is able to predict when stock prices will rise or fall, thus can increase the value of stock prices. The smallest ROA value was in 2014 with -0.0474, while the largest stock price value was in 2014 with 160,000 and the smallest stock price value was in 2015 with 112. This shows that there is no significant effect between ROA and stock prices, thus even if ROA experiences an increase or decrease – its effect on the stock price will be small.

These results are not in line with the results from (Sondakh et al., 2006; Susilawati, 2012) researches – in which they state that ROA has a significant effect on stock prices.

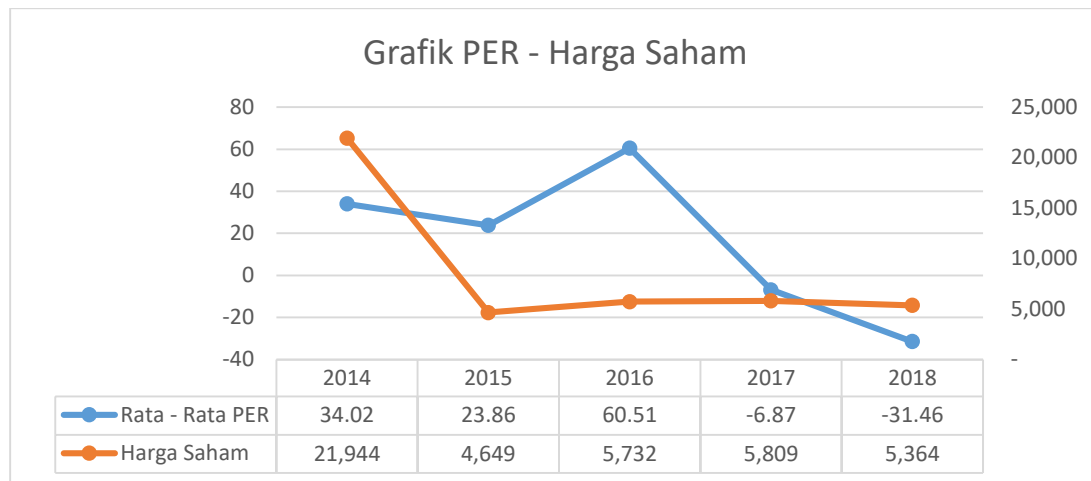
Fourth, the results of T Statistics test  $< t$ -table, and the significance of  $0.131 > 0.05$ , thus the null hypothesis ( $H_0$ ) is accepted and the alternative hypothesis ( $H_4$ ) is rejected which means that PER does not have a significant effect on stock prices.

Based on Figure 5 above, it can be seen that the average PER value decreased in 2014 - 2015 then increased in 2015 and decreased again until 2018; meanwhile the average stock price in 2014 - 2015 showed a decrease then showed an increase in 2016 - 2017 and another decline/decrease in 2018. Changes that occur between PER and the stock price tend to be the same almost every year, if PER increases, the stock price will also increase; conversely if PER decreases, the stock price will also decrease. However, this study found that the Price Earning Ratio does not have a significant effect on stock prices. Based on theories by Sugiyanto (2008: 26) and Bringham and Hoiston (2010: 150) – it can be concluded that investors' expectations of the company's future earnings are driven by the stock price they are willing to pay for the company's stocks, which will subsequently affect the price earning ratio. By knowing the amount of PER of a company, investors can estimate the position of



a stock whether it is relative to other stocks or not. PYFA issuer is the company with the highest PER in 2014 – in which its PER reached to 127.16 however the largest stock price in 2014 was owned by MERK issuer with 160,000; this shows that there is no significant influence between PER and stock prices.

These results are not in line with the results from (Ratih et al., 2013) research which state that PER has a significant effect on stock prices.



Source: [www.idx.co.id](http://www.idx.co.id) (Processed Data using Ms. Word, 2020)

Figure 5. Stocks Price Movement - PER

#### 4.0 CONCLUSION

This research was conducted to determine the effect of EPS, DER, ROA, and PER on stock prices in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) in the 2014-2018 periods. According to the data analysis and discussion, the following conclusions can be drawn: (1) Based on multiple linear regression testing, it is found that the EPS variable has a positive effect on the stock price variable while for partial testing the EPS variable does not have a significant effect on the stock price variable; (2) Based on multiple linear regression testing, it is found that the DER variable has a negative effect on the stock price variable while for partial testing the DER variable does not have a significant effect on the stock price variable; (3) Based on multiple linear regression testing, it is found that the ROA variable has a positive effect on the stock price variable while for partial testing the ROA variable does not have a significant effect on the stock price variable; (4) Based on multiple linear regression testing, it is found that the PER variable has a positive effect on the stock price variable while for partial testing the PER variable does not have a significant effect on the stock price variable.

This study has limitations, thus for future researchers who will use the results of this study as reference material and for practitioners who will use the results of this study as a basis for economic decision making – it is expected to pay attention to some of the limitations of this study. These limitations include: (1) This study used four independent variables, namely *Earning Per Share* (EPS), *Debt To Equity Ratio* (DER), *Return On Assets* (ROA) and *Price Earning Ratio* (PER) with Stock Price as the dependent variable. (2) This study was only conducted at pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) in the 2014-2018 periods; (3) The data in this study were not normal therefore the SmartPls test was used; (4) The results obtained from this study reveal that all independent variables do not have a significant effect on the dependent variable, namely stock prices.

Based on the research results and conclusions that have been explained, there are a number of suggestions for investors, potential investors, companies and academics for further researches, namely: (1) For Investors and Potential Investors, from the results of this study it is hoped that investors and potential investors will not only looking at financial ratios but also looking at other external factors such as inflation, currency exchange rates, interest rates and others; (2) For the company, from the research results it is known that the ratios used in this study do not have a significant effect on stock prices, so it is expected that the company can pay more attention to other financial ratios; (3) For Academics to conduct further research, it is suggested to add independent variables such as CR, ROE, NPM, SIZE, and other variables that affect stock prices and to add research samples and extending the research time.

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