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THE EFFECT OF NET PROFIT MARGIN AND EARNING PER SHARE ON SHARE PRICES

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Abstract: The net profit margin is a financial ratio in measuring a company's ability to generate a return on sales. Earning per share is a financial ratio that shows the profit from each outstanding share. The share price is the price of the company's shares listed and can change every second. The purpose of this study is to determine the influence of net profit margin on stock prices and to determine the magnitude of the influence of earnings per share on stock prices. This research was conducted at Food and Beverage Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange (BEI) for the 2014-2018 period. The results in this study found that: 1) The t value of the net profit margin of 5.378 is greater than the t table of 2.00665 and the significant value of 0.000 is less than 0.05, it can be concluded that the net profit margin has a significant effect on stock prices; 2) It is obtained that the t value of earning per share is 3.349 which is greater than the t table of 2.00665 and a significant value of 0.002 is less than 0.05, so it can be concluded that earning per share has a significant effect on stock prices.
Keywords: Net Profit Margin, Earning Per Share, Stock Price

INTRODUCTION

The Capital Market is a non-bank financial institution where there are securities buying and selling transactions and public companies related to securities. It is often known as a meeting place for sellers and buyers of capital (Wardiah, 2017). The definition of Capital Market is explained more specifically in the Capital Market Law Number 8 of 1995, as activities related to public offerings and securities trading, public companies related to the securities they issue, and institutions and professions related to securities (Wardiah, 2017). Go Public is a company that decides to sell its shares to the public and is assessed by the public openly, the more go public companies will invite investors to enter the stock market (Watung & Ijat 2016). Investors who invest in the capital market basically want to get a return, the benefits that are expected to be obtained when buying shares in the capital market include capital gains and dividends (Manahan, 2013). The need to know the financial ratios for shareholders is usually interested in the company's long-term profitability and financial health ratios (Sukamulja, 2014). The largest contributor to Gross Domestic Product (GDP) (Gareta 2017) is as follows:

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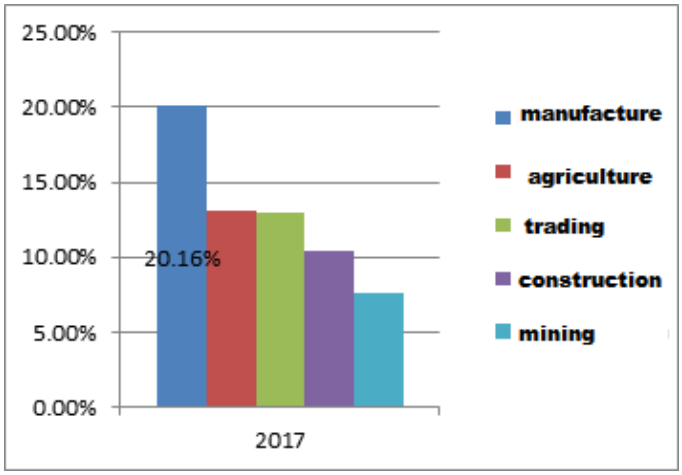

Figure 1. Industry Contributing to the Highest Growth of GDP in 2017
Source: data processed by the author

The sub-sectors that experienced the highest growth in the fourth quarter of 2017 (Gareta 2017) are as follows:

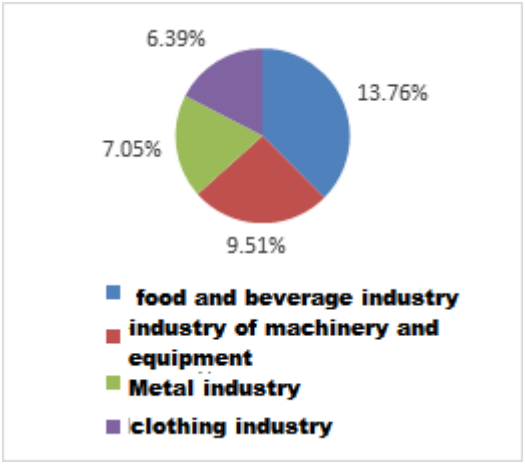

Figure 2. Subsector with the Highest Growth in Q4 / 2017
Source: data processed by the author

From the data above, it can be seen that the manufacturing sector is included in the top five industries that contribute to GDP, compared to other industries. Share prices are influenced by the performance of the company's financial fundamentals which investors usually consider (Wardiah, 2017). It can be said that Net Profit Margin (NPM) and Earning Per Share (EPS) are fundamental financial indicators in assessing the company's ability to generate profits, which in turn will affect the company's stock price**.**

Financial statements According to Sujarweni (2017). State that "financial statements are records of a company's financial information in the accounting period that can be used to describe the company's performance".Financial Statement Analysis Financial statement analysis is a process to help analyze or evaluate the company's financial condition, the results of the company's past and future operations, while the purpose of financial statement analysis is to assess the performance achieved by the company and estimate the company's future performance. (Sujarweni, 2017). Financial Ratio According to Sujarweni (2017). Financial ratio analysis is an activity to analyze financial statements, how to compare one account with other

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accounts in the financial statements, the comparison can be between accounts in the balance sheet and profit and loss statements. Using analysis methods such as this ratio can explain or provide a good or bad picture of a company's financial condition. Net Profit Margin. According to Then Sukamulja (2017), "Net Profit Margin measures the company's ability to generate net income on sales activities". Stock price Darmadji and Fakhrudin (2011) state that the stock price is the price of a share that can change up to or down in a matter of time very quickly. It can change up to or down in a matter of minutes or it can even change in a matter of seconds. Factors Affecting Stock Prices The external factor that affects the stock price is market risk. Market risk is referred to as macro fundamentals and is uncontrollable because it cannot be controlled by the company. The users of macroeconomic variables generally affect the average stock price. (Wardiyah, 2017). Wardiyah further (2017) states that the capital market analysis also uses analysis at the company level, which is called the company's (internal) fundamental factors. This factor is controlled by the company (controllable). Internal factors that can affect the price of common stock are considered by investors, namely the company's financial fundamental performance to generate profits (company growth).

The purpose of this study is to determine the influence of net profit margin on stock prices and to determine the magnitude of the influence of earnings per share on stock prices. This research was conducted at Food and Beverage Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange (BEI) for the 2014-2018 period.

METHODS

This research uses descriptive verification research using a quantitative approach to describe the influence between the variables studied by collecting, managing, and analyzing data from a predetermined population or sample. This study uses two measured variables, namely the independent variable and the dependent variable using a ratio scale. The independent variables of this study are Net Profit Margin (X1) and Earning Per Share (X2). The dependent variable of this study is the stock price. "Population is an area of regeneration consisting of objects/subjects that have certain qualities and characteristics determined by the researcher to be studied and then drawn conclusions". (Sugiyono, 2018). Based on the above understanding, the population in this study is the Food and Beverage Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange (BEI) for the 2014-2018 period. This population numbered 18 companies. Determination of the number of samples to be processed from the population must be done by using appropriate sampling techniques. The sampling technique used in this study was purposive sampling. The following companies meet the criteria

Data analysis is quantitative/ statistical, to describe and test the applied hypothesis. With the help of SPSS Software. This study, using multiple regression linear analysis. Before doing multiple linear analysis and hypothesis testing, testing is done first using the classical assumption test so that the research to be carried out can be said to detect whether or not there are deviations from the classical assumptions of the multiple linear regression equation used. There are several models used to test the classical assumptions.

RESULTS AND DISCUSSION

Classic Assumption Test

This multicollinearity test is to determine whether the regression model found a correlation between the independent variables. To detect the presence or absence of multicollinearity

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is to use the Variance Inflation Factor (VIF), with the help of SPSS 24 as follows:

Table 1. Multicolonierity Test Results

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
	Net Profit Margin	,856	1,169
	Earning Per Share	,856	1,169

a. Dependent Variable: Stock Price

Source: data processing using SPSS

From the output above it can be seen that: No variable shows the Tolerance value is less than 0.10 All variables show a VIF value less than 10 Each tolerance value for the net profit margin and earning per share variables is 0.856 and the VIF value for each independent variable is 1.169. From the results of the above test that multicollinearity does not occur, the multicollinearity test is fulfilled.

Autocoleration Test

Autocoleration test is used to test the linear regression model whether there is a correlation between the residuals (confounding errors) in period t with errors in the previous period (t-1). To detect the presence of deep autocorrelation, this study uses Durbin-Watson with the help of SPSS 24 as follows:

Table 2. Autocorrelation Test Results

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	740[a]	.548	.530	2647,952027	1,834

Source: Data processing using SPSS

Based on the table above, the DW value is 1.834, this value will be compared with the dl and du values found in the Watson Durbin table. With α = 0.05, the number of independent variables (k) = 2 and sample (n) = 55, the dl value is 1.490 and the du value is 1.641. Since the DW value of 1.834 is greater than du and less than 4 - 1.641 = 2.359 (du <d <4 - du), it can be concluded that there is no autocorrelation.

Heteroscedasticity Test

The heteroscedasticity test is used to find out whether the regression model has inequality of variants from one residual to another. One of the requirements for a good regression model is that there is no heteroscedasticity. To test whether heteroscedasticity occurs or not by looking at the graphite plot using SPSS 24 as follows:

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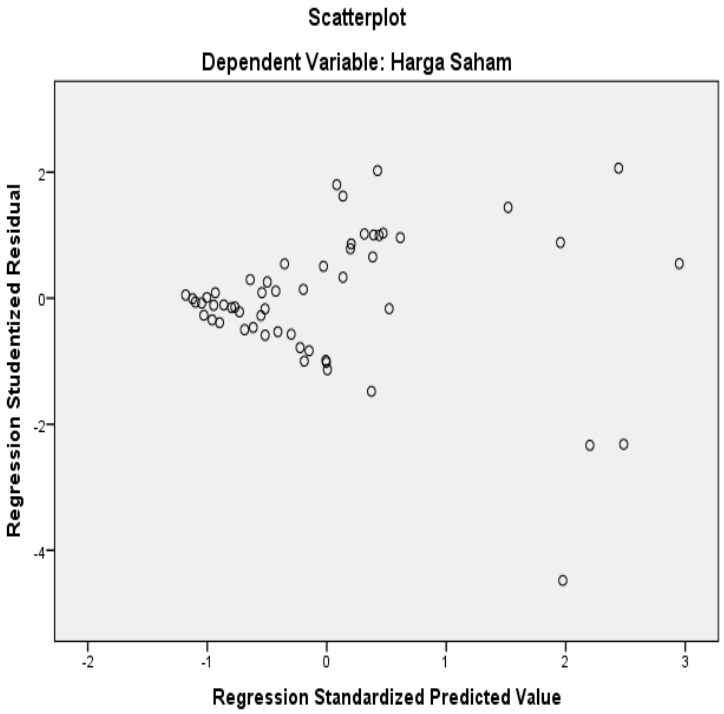

Figure 3 Heteroscedasticity Test Results
Source: Data processing using SPSS

From the picture above, it can be seen that the dots do not show a certain regular pattern, either wavy or widened then narrowed, but in the image above the dots spread above and below the number 0, it can be concluded that there is no heteroscedasticity.

Normality test

This test is used to determine which confounding variables have a normal distribution, a good regression model is normally distributed or close to normal. In this study, the Kolmogorov Smirnov (K-S) non-parametric statistical test used the following table of normality tests:

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		55
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	2598,45323200
Most Extreme Differences	Absolute	,095
	Positive	,080
	Negative	-,095
Test Statistic		,095
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: Data processing using SPSS

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From table 4, the data is normally distributed if it has a significant value> 0.05, from table 4.9 the Asymp value is obtained. Sig. (2-tailed) of 0.200, because of the Asymp. Sig. (2-tailed) 0.200> 0.05, the data can be used because it is normally distributed.

Multiple Linear Regression Analysis

This analysis is used to see the effect of net profit margin (X1) and earnings per share (X2) as the independent variable on stock price (Y) as the dependent variable.

Table 4. Test Results of Multiple Linear Regression Analysis

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	338,031	579,017		,584	,562
	Net Profit Margin	22375,070	4160,370	,542	5,378	,000
	Earning Per Share	5,276	1,575	,338	3,349	,002
a. Dependent Variable: Stock Price						

Source: Data processing using SPSS

Based on the table above, the regression equation is obtained as follows:

$$Y = 338{,}031 + 22.375{,}07\ X1 + 5{,}276X2$$

The constant value obtained is 338.031. That is, if the Share Price (Y) is not influenced by the two independent variables Net profit margin and Earning per share (X2) or is zero, then the share price will be worth 338,031. The regression coefficient sign for the independent variable net profit margin (X1) is positive, meaning that it shows a unidirectional relationship between the independent variable net profit margin (X1) and the dependent variable stock price (Y). The regression coefficient of the variable net profit margin of 22,375,070 means that the increase in the net profit margin (X1) of one unit causes the stock price (Y) to increase by 22,375,070. The regression coefficient for the independent variable earnings per share (X2) is positive, meaning that it shows a direct relationship between the independent variable earnings per share (X2) and the dependent variable stock price (Y), with the variable regression coefficient value X2 of 5.276, meaning that One-unit increase in earning per share (X2) causes the share price (Y) to increase by 5,276.

Pearson Product Moment Correlation Test

This test is used to measure the correlation (relationship) between the independent variable and the dependent variable in the regression model. The following is a table of the Pearson product-moment correlation test:

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Table 5. Pearson Product Moment Correlation Test Results

Correlations				
		Net Profit Margin	Earning Per Share	Stock price
Net Profit Margin	Pearson Correlation	1	,380**	,671**
	Sig. (2-tailed)		,004	,000
	N	55	55	55
Earning Per Share	Pearson Correlation	,380**	1	,544**
	Sig. (2-tailed)	,004		,000
	N	55	55	55
Stock price	Pearson Correlation	,671**	,544**	1
	Sig. (2-tailed)	,000	,000	
	N	55	55	55

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Data processing using SPSS

Based on table 5, it can be seen that the correlation value of net profit margin to stock prices is 0.671. This shows that the net profit margin variable has a strong relationship with stock prices.

Furthermore, the correlation value of earning per share to stock prices is 0.544. This shows that the variable earning per share has a "sufficient" level of relationship with stock prices.

Determination Coefficient Test

This test is used to measure the extent to which the model's ability to explain variations in the dependent variable. The coefficient of determination is between zero and one, here are the results of the coefficient of determination**:**

Table 6. Determination Coefficient Test Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,740[a]	,548	,530	2647,952027	,855

a. Predictors: (Constant), Earning Per Share, Net Profit Margin

b. Dependent Variable: Stock price

Source: Data processing using SPSS

From Table 6 above, it is known that the value of KD = 0.7402 x 100% = 54.8%, which means that the independent variables, namely net profit margin and earnings per share, explain the dependent variable share price of 54.8%. While the remaining 45.2% (from 100% - 54.8%) is explained by other variables outside the regression model.

Hypothesis T-Test

This test is used to test the significance of the effect between the independent variable (X) on the dependent variable (Y) and to test the predetermined hypothesis, as follows:

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Table 7. T-Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	338,031	579,017		,584	,562
	Net Profit Margin	223 75,070	4160,370	,542	5,378	,000
	Earning Per Share	5,276	1,575	,338	3,349	,002
a. Dependent Variable: Stock Price						

Source: Processing using SPSS

From the table above the results of t count the net profit margin of 5.378, while t count the profit per share of 3.349.

In the t distribution table, the t-table value is 2.0066. The basis for making decisions, namely:

If t-count> t-table, it is significant, the hypothesis which states that the independent variable individually affects the dependent variable is accepted

If t-count <t-table, it is not significant, the hypothesis that the independent variable individually affects the dependent variable is rejected

From the t-count, the net profit margin of 5.378 is greater than the t-table with a value of 2.0066 and a significant value of 0.000 <0.05. Then H1 is accepted and it can be concluded that the net profit margin has a significant effect on stock prices.

Furthermore, the t-count of earnings per share of 3.349 is greater than the t-table with a value of 2.0066 and a significant value of 0.002 <0.05. So H2 is accepted and it can be concluded that earning per share has a significant effect on stock prices.

CONCLUSION

In this study the independent or independent variables used are Net Profit Margin and Earning Per Share, the dependent or dependent variable used is Stock Price, the sample used in this study is 11 Food and Beverage Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange in 2014-2018. Based on the results of the research and discussion that has been carried out, the following conclusions are drawn: Net Profit Margin has an effect on Stock Prices in Manufacturing Companies in the Food and Beverage Sub-Sector listed on the Indonesia Stock Exchange (BEI) for the 2014-2018 period. When the Net Profit Margin increases, the Share Price also increases, and vice versa, if the Net Profit Margin decreases, the Share Price decreases, which means that there is a direct influence between the Net Profit Margin and the Share Price. Earning Per Share affects Share Prices in Food and Beverage Sub Sector Manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the 2014-2018 period. When Earning Per Share has increased, the Stock Price has also increased, and vice versa, if Earning Per Share has decreased, the share price has decreased, which means there is a direct influence between Earning Per Share and the Share Price.

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