

The Influence of Dividends Per Share (DPS) and Earnings Per Share (EPS) on Stock Prices in Retail Trade Sector Companies Listed on the Indonesia Stock Exchange for the Period 2016-2022

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Abstract

The aim of this research is to determine the influence of dividends per share and earnings per share on stock prices within the retail trade sub-sector companies listed on the Indonesia Stock Exchange (IDX). This study employs a quantitative research method utilizing secondary data derived from financial documents or reports registered with the Indonesia Stock Exchange (IDX). The research sample consists of 4 companies selected using purposive sampling methods, and the data used comprises seven consecutive years of financial reports from 2016 to 2022. The data analysis techniques utilized include frequency distribution, classical assumption tests, and both partial and multiple linear regression analyses. The results of this research indicate that dividends per share have a significant partial influence on stock prices. Similarly, earnings per share exhibit a significant partial influence on stock prices. Moreover, the simultaneous testing of dividends per share and earnings per share demonstrates a significant combined influence on stock prices.

Keywords: stock price, dividen per share, earning per share

INTRODUCTION

In the era of globalization, trade holds significant importance in a country's economy. The economic development can be observed through the increase in companies going public in the capital market. The growing number of publicly listed companies signifies that the capital market is an apt ground to attract investors for their shares. Stock trading occurs in stock exchanges spread across various countries; for instance, Indonesia has its own stock exchange, the Indonesia Stock Exchange (IDX). According to data from the Indonesia Stock Exchange (IDX) and Bank Indonesia (BI), as of January 2023, there were 833 companies listed on the domestic stock exchange. The research's observed subject is the retail trade sub-sector companies listed on the Indonesia Stock Exchange (IDX). The retail industry's current growth is significantly advanced, attracting investors due to promising future prospects. Stock prices serve as a crucial indicator for investors to evaluate the prospective success of future industrial management (Efendi & Ngatno, 2018).

When a company exhibits strong stock figures and meets its targets effectively, it attracts a considerable amount of investor interest. Stock prices are influenced by several factors, namely Dividends Per Share and Earnings Per Share. Dividends Per Share (DPS) refer to the "distribution of profits allocated to all shareholders in proportion to the number of shares they hold" (Emma Lilianti, 2018). Companies paying substantial dividends tend to increase their stock prices, whereas those paying lower dividends might experience a decline in stock prices. Earnings Per Share (EPS) represent the profit allocated to shareholders per share held (Fahmi, 2012:96). EPS reflects a company's effectiveness in calculating the net profit obtained from its distributed shares. Based on the aforementioned background and previous research cases, the researcher is interested in re-analyzing the parameters of DPS, EPS, and stock prices within retail trade companies. This research is titled "The Influence of Dividends Per Share and Earnings Per Share on Stock Prices in Retail Trade Sub-Sector Companies Listed on the Indonesia Stock Exchange from 2016 to 2022."

LITERATUR REVIEW

According to (Kasmir 2019:7), in simple terms, financial statements are reports that depict a company's financial condition at a specific period or currently. The purpose of financial statements, as per the Financial Accounting Standards (PSAK No. 1 2019:3), is to provide information regarding the financial position, financial performance, and cash flow of an entity that is beneficial for a majority of users in making economic decisions. According to Khaula Senastri (2020), financial ratios are one of the financial analysis methods used as indicators to assess a company's development, derived from financial statements over an accounting period. Thus, enabling the assessment of a company's maximum financial performance.

Dividend per Share

According to Emma Lilianti (2018), Dividend Per Share (DPS) is the distribution of profits proportionally among all shareholders based on the number of shares they own.

According to Yusdianto (2020), Dividend Per Share (DPS) is calculated by the following formula:

$$DPS = \frac{\text{Cash Dividends}}{\text{Outstanding Shares}}$$

Earning per Share

According to Sumarsan (2017:53), Earning Per Share (EPS) is the return on investment for each ordinary share measured through earnings per share. According to Darmadji & Fakhruddin (2016:198), the measurement of Earning Per Share in this research is calculated using the following equation:

$$EPS = \frac{\text{Net Income After Tax}}{\text{Outstanding Shares}}$$

Stock Price

According to Yulsiati (2016), the stock price reflects a stock's value that mirrors the wealth of the company issuing the stock, where its changes or

fluctuations are significantly influenced by the supply and demand forces in the stock exchange (secondary market). According to Sartono (2018:26), the stock price is the price prevailing in the stock market at a specific time, determined by market participants, i.e., market demand and supply.

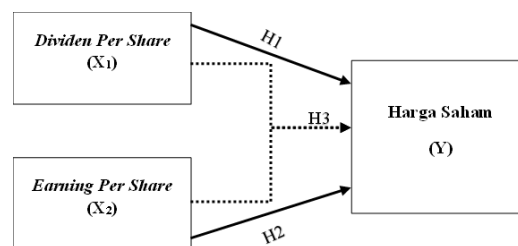
Conceptual Framework

Based on the theoretical foundation, previous research objectives, and the presented issues, a conceptual framework is outlined to formulate the following hypotheses as the basis for the research model, as depicted in Figure 2: Conceptual Framework.

Hypotheses

According to Sugiyono (2019:99), a hypothesis is a temporary answer to the research problem and is based on empirical facts obtained through data collection. The proposed research hypotheses, as temporary answers to the research problem formulation, are as follows:

Figure 2 Conceptual Framework



(Source: Processed data, 2023)

H1: Dividend per Share (X1) partially influences the stock price (Y) in retail trade sector companies listed on the Indonesia Stock Exchange (BEI) for the period 2016-2022.

H2: Earning per Share (X2) partially influences the stock price (Y) in retail trade sector companies listed on the Indonesia Stock Exchange (BEI) for the period 2016-2022.

H3: Dividend per Share (X1) and Earning per Share (X2) collectively influence the stock price (Y) in retail trade sector companies listed on the Indonesia Stock Exchange (BEI) for the period 2016-2022.

RESEARCH METHODS

Research Design

This study uses a quantitative research type. In this study, the researcher wants to know the effect of dividend per share and earning per share on stock prices in retail services subsector companies listed on the Indonesia Stock Exchange in 2016-2022.

Location and Operational Variables

This study uses data obtained from the Indonesia Stock Exchange (www.idnfinancials.com), which is financial statement data for stock prices in

retail services subsector companies. The research time was conducted from January 2023 to July 2023.

Population and Sample

The population in this study is 29 retail services subsector companies listed on the Indonesia Stock Exchange in 2016-2022.

The sampling technique used in this study is purposive sampling. Purposive sampling according to Sugiyono (2018:138) is sampling using several specific considerations in accordance with the desired criteria to determine the number of samples to be studied.

The criteria for sampling are as follows:

Table 1.

Sampling Determination Criteria

Criteria	In	Not	Number
Company listed on the Indonesia Stock Exchange (BEI) in the retail services subsector in the period 2016-2022.	Yes	No	29
Company that publishes and submits financial statements to the Indonesia Stock Exchange consecutively in 2016-2022.	Yes	No	25
Company distributes and attaches the cash dividend value to shareholders in the financial statements	Yes	No	4
Total Research Sample			4

(Source: Processed Data, 2023)

Data Type and Source

In this study, the type of data used is secondary data. Secondary data is data obtained in a quantitative form, both in the form of documents or written reports in the form of balance sheets, income statements. The data source used in this study is the financial statements (annual report) of retail services subsector companies listed on the Indonesia Stock Exchange in 2016-2022. The research data was obtained from the official website of the Indonesia Stock Exchange, namely www.idx.co.id.

Data Analysis Technique

The data analysis technique used is the classical assumption test is used to test the quality of the data so that the data is known to be valid and avoid the occurrence of biased estimation. While the partial and multiple linear regression analysis is used to test the extent of the causal relationship between the causal variable (X) and the dependent variable (Y).

RESULTS AND DISCUSSION

Hypothesis Testing

Based on the results of the classical assumption test, it was found that the data used in this study met the following assumptions:

Normality:

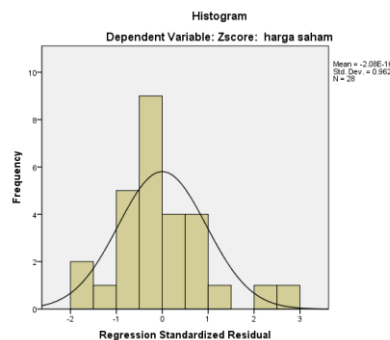


Figure 3.
Histogram Graph
(Source: SPSS 19, 2023)

The residuals of the regression model were normally distributed.

Heteroscedasticity Test

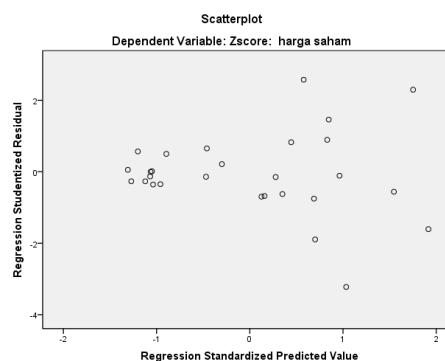


Figure 4.
Scatterplot Graphics
(Source: SPSS 19, 2023)

Homoscedasticity: The variance of the residuals was constant across all levels of the independent variables.

Independence: The residuals were independent of each other.

Linearity: The relationship between the independent and dependent variables was linear.

With the data meeting these assumptions, the following hypotheses can be tested:

H0: Dividend per share (X1) does not have a significant effect on stock prices (Y).

H0: Earning per share (X2) does not have a significant effect on stock prices (Y).

H0: Dividend per share (X1) and earning per share (X2) do not have a significant effect on stock prices (Y) when considered simultaneously.

Results of Hypothesis Testing

The results of the regression analysis showed the following:

Partial Regression Analysis

Dividend per share (X1)

The regression equation is: $Y = -1.023 + 0.075X_1 + e_i$

The coefficient of determination (r^2) is 0.464, which indicates that dividend per share has a significant positive effect on stock prices, explaining 46.4% of the variation in stock prices.

Earning per share (X2)

The regression equation is: $Y = -0.415 + 0.008X_2 + e_i$

The coefficient of determination (r^2) is 0.145, which indicates that earning per share has a significant positive effect on stock prices, explaining 14.5% of the variation in stock prices.

Multiple Regression Analysis

The regression equation is: $Y = -1.048 + 0.072X_1 + 0.001X_2 + e_i$

The coefficient of determination (r^2) is 0.467, which indicates that dividend per share and earning per share have a significant positive effect on stock prices, explaining 46.7% of the variation in stock prices.

Conclusion

Based on the results of the hypothesis testing, it can be concluded that:

Dividend per share and earning per share have a significant positive effect on stock prices in retail services subsector companies listed on the Indonesia Stock Exchange in 2016-2022.

Dividend per share and earning per share have a combined significant positive effect on stock prices in retail services subsector companies listed on the Indonesia Stock Exchange in 2016-2022.

Discussion

The results of this study are consistent with the findings of previous studies. For example, a study by Nugroho and Sulistyowati (2022) found that dividend per share has a positive effect on stock prices in manufacturing companies listed on the Indonesia Stock Exchange. A study by Pratomo and Sulistyowati (2023) found that earning per share has a positive effect on stock prices in banking companies listed on the Indonesia Stock Exchange.

The findings of this study suggest that dividend per share and earning per share are important factors that investors consider when making investment decisions. Companies that pay higher dividends and generate higher profits are more likely to have higher stock prices.

Impact of Dividend per Share on Stock Prices

Based on the conducted research, it is evident from the theoretical study by Emma Lilianti (2018) that Dividend Per Share (DPS) represents the distribution of profits proportionally among shareholders based on their shareholding. This

statement aligns with the research conducted by the author, indicating that dividends are the distribution of cash dividends by a company, derived from the total outstanding shares. The higher the dividends a company generates, the higher the interest from investors in its shares.

Regarding empirical studies, one such analysis by Fatmawati (2021), titled "The Influence of Earning Per Share and Dividend Per Share on Stock Prices of Mining Companies Listed on the Indonesia Stock Exchange (BEI) for the Period 2015-2019," concluded that dividend per share significantly impacts stock prices. This analysis parallels the findings of the present researcher, suggesting a significant influence of dividend per share on stock prices within the retail trade sub-sector companies between 2016 and 2022.

Furthermore, the frequency distribution data from the sampled retail trade companies between 2016 and 2022 revealed fluctuations in dividend per share. For instance, PT. Ace Hardware Indonesia experienced significant fluctuations in dividend per share during different periods. From 2016 to 2019, there was a considerable increase due to high investor interest. However, in 2019-2020, a rapid decrease occurred due to the global health crisis affecting dividends and investor interest. Subsequently, from 2020 to 2021, a rapid increase was observed due to economic improvements, intending to entice investors and elevate share prices. Nonetheless, in 2021-2022, despite high sales, a decrease in net income led to a decline in EPS.

Impact of Earning per Share on Stock Prices

According to Sumarsan (2017:53), Earning Per Share (EPS) signifies the return on investment for each ordinary share measured through earnings per share. This statement correlates with the researcher's findings that EPS influences the returns or profits obtained by investors or shareholders per share. An increase in EPS leads to higher returns per share for investors, while a decrease in EPS reduces per-share returns.

An empirical study by Mohammad Arifin (2019) highlighted the significant influence of EPS on stock prices of companies listed on the Jakarta Islamic Index (JII) from 2014 to 2018. This conclusion is likely applicable to the retail sector, indicating that an increase in EPS positively impacts a company's stock prices. A higher EPS denotes improved company performance in generating earnings per share, attracting investor interest. Hence, stock prices tend to rise due to increased investor interest in shares with higher profit prospects.

Moreover, the frequency distribution data revealed fluctuations in EPS among the sampled retail trade companies between 2016 and 2022. For instance, PT. Ace Hardware Indonesia exhibited fluctuations in EPS annually. From 2016 to 2019, there was a significant increase due to consumer demand, increasing investor interest. However, from 2019 to 2022, rapid declines occurred due to the global health crisis impacting sales and net income.

Impact of Dividend per Share and Earning per Share on Stock Prices

Based on the research findings, both theoretical and empirical studies emphasize the importance of Dividend Per Share (DPS) in distributing profits to shareholders. This aligns with the impact of DPS and EPS on stock prices,

indicating the distribution of profit based on earnings per share to shareholders according to their shares.

Another empirical study by Fatmawati (2021) concluded that both dividend per share and earning per share significantly affect stock prices simultaneously. This conclusion parallels the research findings, suggesting a significant simultaneous effect of dividend per share and earning per share on stock prices within the retail trade sub-sector. Therefore, this research contributes significantly to understanding the factors influencing stock prices in both mining and retail sectors.

Although both DPS and EPS significantly impact stock prices in both studies, the researched companies are from different sectors—retail trade and mining. Retail trade companies showcase a more stable business model, generating consistent revenue from product and service sales to consumers. Conversely, mining companies are more susceptible to commodity price fluctuations and global demand, making them vulnerable to economic cycle changes. This vulnerability is caused by economic phenomena, such as decreasing commodity prices (e.g., oil, coal, metals, and minerals) due to various factors like global economic slowdown, oversupply, and geopolitical instability. Therefore, investments in both sectors should consider all related aspects and a deep understanding of business characteristics and potential risks.

Research Implications

Based on the conducted research using classic assumption tests and partial and multiple linear regression analysis, it was evident that one independent variable (X1 & X2) dominantly influences the dependent variable (Y), namely the variable X1 (dividend per share). This statement was substantiated by the hypothesis testing results, indicating that the significant influence of dividend per share in this study significantly impacts stock prices by 46.4%. This impact is greater than that of the earning per share, which influences stock prices by only 14.5%.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the tested data and interpretations conducted, the following conclusions can be drawn:

1. Dividend per Share (X1) significantly influences stock prices (Y) partially in retail trade sub-sector companies listed on the Indonesia Stock Exchange (BEI) from 2016 to 2022.
2. Earning per Share (X2) significantly influences stock prices (Y) partially in retail trade sub-sector companies listed on the Indonesia Stock Exchange (BEI) from 2016 to 2022.
3. Dividend per Share (X1) and Earning per Share (X2) significantly influence stock prices (Y) simultaneously in retail trade sub-sector companies listed on the Indonesia Stock Exchange (BEI) from 2016 to 2022.

Recommendations

Based on the research findings, several recommendations can be made:

For Companies:

It is advised to devise effective strategies to handle declining economic conditions. Reconsider financial performance by examining net profits, cash flows, and financial ratios to ensure the ability to distribute dividends and provide earning per share value to investors.

For Investors:

Exercise caution and diligence in selecting stocks, whether for long or short-term plans. Pay attention to a company's ability to generate net profits annually, avoiding high fluctuations in dividend distribution and earning per share value. Additionally, compare companies within the same industry to gain insights into which companies excel in dividend distribution and EPS value.

For Future Researchers:

Focus on empirical studies conducted by previous researchers to analyze the statistical influence of independent variables on the dependent variable of interest. Compare different companies within the same industry to discover the latest research outcomes. Lastly, study phenomena occurring during the research period by identifying issues with both independent and dependent variables.

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