The Effect of Interest Coverage Ratio, Basic Earning Power and Earning Per Share on Stock Price at PT. Indofood Sukses Makmur Tbk.

Muhamad Rizal Kurnia
rizalkurnia11@gmail.com
Program Studi Ekonomi Syariah
Universitas Islam Negeri Sultan Maulana Hasanuddin Banten

Abstract : This study aims to determine the effect of Interest Coverage Ratio, Basic Earning Power and Earning Per Share partially and simultaneously on the stock price of PT Indofood Sukses Makmur Tbk. Investors must be careful in making investment decisions because many factors affect stock price including Interest Coverage Ratio, Basic Earning Power and Earning Per Share. This is reinforced by looking at the financial statements and experiencing fluctuations every period. Referring to several opinions of financial experts and the results of previous studies which state that the higher the Interest Coverage Ratio, Basic Earning Power and Earning Per Share, the higher the influence on stock price. The research method used is a quantitative method. The type of data used is secondary data from the 2011-2020 annual report published by the company on the official website. The results of this study show that partially Interest Coverage Ratio has a very weak relationship, Basic Earning Power has a weak relationship, Earning Per Share has a moderate relationship and partially has no significant effect on stock price, then simultaneously Interest Coverage Ratio, Basic Earning Power and Earning Per Share has a strong relationship and there is no significant effect on stock price.

Keywords: Interest coverage ratio, Basic earning power, Earning per share, Stock price

INTRODUCTION

The Islamic capital market is growing rapidly and is becoming increasingly attractive as a popular investment choice among the people of Indonesia, it is known from the number of sharia shares listed on the stock exchange. According to data from the Indonesia Stock Exchange from 2011 to 27 October 2020, the number of sharia shares increased by 90.3%, from 237 to 451. This represents 63.6% of the total shares. Then, based on market capitalization, sharia shares accounted for 51.4% of the total capitalization of Rp 5,956.7 trillion with a market capitalization of Rp 3,061.6 trillion.

Evidence of investment by a person, organization or business entity in a company is called shares."then the party who invests has the right to the company's income or company assets and has the right to attend the General Meeting of Shareholders (GMS) (Aziz, at, el,

2015). This is one way for companies to get funds to increase and increase capital by issuing shares to the public. Investing in stocks has two kinds of analytical approaches, namely fundamental analysis and technical analysis. Fundamental analysis is an important process for investors to make investment decisions, because this analysis is a reflection of a company such as knowing the financial statements, company management and choosing stocks (stock picking technique). While technical analysis will help investors to determine the right moment to buy and sell the stock.

Stock price that go up and down are influenced by internal and external factors, internal factors in the form of the company's financial statements and policies implemented by the company. External factors are the influence of external business such as interest rates, government policies, fluctuations in the rupiah exchange rate and inflation. (Fahmi, 2006) In analyzing financial statements, things that need to be considered by an investor include debt analysis and profitability analysis. Debt analysis provides insight into the financial position of a business and the strength of its capital structure. Because investors naturally expect a strong and healthy business, an unhealthy business's financial condition creates the risk of bankruptcy in the future if the company is not able to manage its assets efficiently. Debt analysis can use the Interest Coverage Ratio (ICR). This debt ratio is the total operating income divided by the cost of debt and interest. This ratio shows how much of the company's operating income can cover interest costs on its debt, and a higher ICR indicates a better financial position. (Budiman, 2019)

The company's ability to manage its assets properly will certainly have an impact on profit or profit and vice versa. Basic Earning Power (BEP) is a ratio that measures the company's ability to generate profits before interest and taxes and compare it with total assets. (Syafri Harahap, 2016) This ratio reflects the company's efficiency in managing all investments in the form of assets. Earning per share is considered very important because it is the company's income for investors and is the basis for investors to invest in the company. Earning per share information is used by company management to determine dividends to be distributed. Earning Per Share (EPS) or Earning per share is a form of profit given to shareholders from each share that investors own. (Fahmi, 2013). High levels of profit and income can affect stock price. Of course, the greater the profit of a company, the higher the company will provide positive profits to its shareholders.

Development of Interest Coverage Ratio (ICR), Basic Earning Power (BEP), Earning Per Share (EPS) and stock price in PT Indofood Sukses Makmur Tbk (INDF) experienced

fluctuations where at a certain period there was a discrepancy with the theory, namely when operating profit covered interest expenses fell, net income and Earning per share fell, stock price rose, they should go up or down simultaneously because the variables have a relationship with each other so research is needed In order to find out more about the problems that occur, it can be seen in the table as follows:
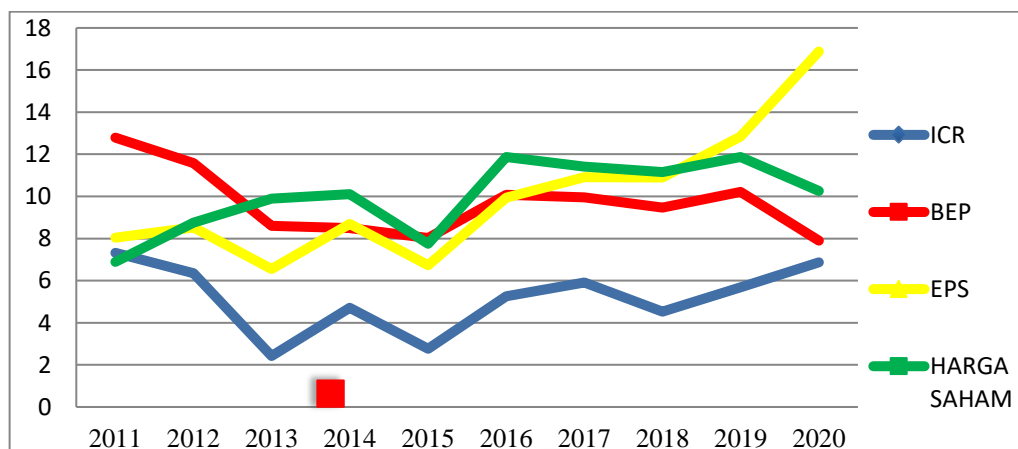
Table 1. ICR Development Data, BEP, and EPS Against Stock Price in PT Indofood Sukses Makmur Tbk

Year	ICR (%)	BEP (%)	EPS (Rp)	EPS (%)	Stock Price (Rp)	Stock Price (%)	
2011	7.32	12.79	350	8.04	4,600	6.89	⬛
2012	**6.35**	**11.58**	371	8.52	5.850	8.76	🟥
2013	**2.42**	**8.60**	**285**	**6.55**	**6,600**	**9.89**	🟥
2014	4.71	**8.50**	379	8.70	6.750	10.11	🟥
2015	2.76	8.02	293	6.73	5.175	7.75	⬛
2016	5.26	10.08	433	9.94	7.925	11.87	⬛
2017	**5.91**	9.95	475	**10.91**	7.625	11.42	🟥
2018	4.52	9.47	474	10.89	7.450	11.16	⬛
2019	5.69	10.22	559	12.84	7.925	11.87	⬛
2020	**6.87**	7.90	735	**16.88**	6.850	10.26	🟥

Description:

🟥   : Not Unidirectional

⬛   : Unidirectional

Based on the information above, it can be seen that the data on the development of Interest Coverage Ratio (ICR), Basic Earning Power (BEP), Earning Per Share (EPS) and stock price for ten periods fluctuated. In addition to the table above, the data is also presented in graphical form to clarify the following as follows:

Picture 1. ICR Development Data, BEP, and EPS Against Stock Price in PT Indofood Sukses Makmur Tbk

Based on table 1 and picture 1, it can be seen that in the annual financial statements of PT Indofood Sukses Makmur Tbk. the period 2011 to 2020 there are fluctuations that are inconsistent with theory, where when the ICR, BEP, EPS go down, but the stock price goes up, it should go up or down at the same time.There are several similar studies conducted by other researchers. The researcher tries to carry out further analysis of the literature or works that are more related to the topic that has been studied to support certainty and harmony.

The following are some of the previous studies that were used as a reference for the study in this study, namely Erni Mulyani (2019) showing that partially there is no significant effect between basic earning power on stock price and there is a significant effect between Earning after tax on stock price. Then simultaneously there is no significant effect between basic earning power (X1) and Earning after tax (X2) on the stock price (Y) at PT Ultrajaya Milk Industry & Trading Company Tbk. Then Harto Wibowo Demanik (2018) shows that simultaneously the capital structure as measured by the Debt Equity Ratio (DER), Debt To Asset Ratio (DAR) and Interest Coverage Ratio (ICR) has an effect on stock price. The partial test shows that only the Interest Coverage Ratio (ICR) variable has a significant effect on stock price.

Mufaidah (2014), T test results state that DER and DAR have a significant effect on stock price while ICR has no significant effect on stock price. The results of the F test state that simultaneously the capital structure calculated by DER, DAR and ICR has a significant effect on the company's stock price which is included in the calculation in the Jakarta Islamic Index (JII) for the 2009-2013 period. Referring to the various research results because there are differences in the variables used, both independent variables and dependent variables. Then the object of research and the period of research are different. However, the results of the comparison above can be used as a comparison or basis for researchers, because they have similarities in using stock price as the dependent variable and there are several independent variables that are the same as well.Factors that affect stock price according to (Arifin, 2001): Issuer's fundamental condition, law of supply and demand, interest rate, foreign exchange, foreign funds on the stock exchange, stock price index, and news and rumors.

RESEARCH METHODS

Data sources are places where data are obtained using certain methods, which can be in the form of humans, artifacts or documents (Sutopo, 2006). The research data sources used in this study are secondary data sources. Inner placeThe object of this research is PT Indofood

Sukses Makmur Tbk listed on the Indonesian Sharia Stock Index (ISSI).The data is obtained from the Published Financial Report for the period 2011-2020 published by PT Indofood Sukses Makmur Tbk on the official website and also conduct research at the Banten Representative Office of the Indonesia Stock Exchange (IDX Banten) as a Go Public company regulation.

The analysis was carried out through quantitative methods, using statistical methods to test hypotheses. The purpose of this research method is to test theories, establish facts, show relationships and effects as well as comparisons between variables, provide statistical descriptions, predict and predict results, and prove whether the analyzed data has an effect or not.In this study, the authors used a non-probability sampling quota sample design, taking 10 years of data. The data analysis used in this study are: classical assumption test, statistical analysis consisting of descriptive analysis and associative analysis (linear regression analysis, correlation analysis, determination coefficient analysis and hypothesis testing analysis consisting of t test and F test).

RESULTS AND DISCUSSION

The discussion in a study is to describe and explain the results of the research based on the data obtained and calculations have been carried out. The following will explain the results of calculations regarding the Effect of Interest Coverage Ratio (ICR), Basic Earning Power (BEP), Earning Per Share (EPS) and the Stock Price of PT Indofood Sukses Makmur Tbk.

The Effect of Interest Coverage Ratio (ICR) on PT Indofood Sukses Makmur Tbk's Stock Price. Based on the results of the analysis that has been carried out on the ICR variable (X1) on stock price (Y) obtained the results of negative simple linear regression analysis with a constant value of 10.128 and the coefficient value -.025, If ICR changes every 1% then the stock price increases by -0.025. Because the value of the regression coefficient is minus (-) it can be interpreted that the ICR has a negative effect on stock price, so the regression equationStock price (Y) = 10.128 -.025 ICR (X1).

Then the results of the correlation analysis showthe relationship between ICR and stock price is negative at -0.024. This value is in the interval 0.00-0.199 which means that it has a very weak relationship, so that if the ICR increases, the stock price will decrease and vice versa if the ICR decreases, the stock price will increase. The following table presents the criteria for the correlation relationship.

Then results The calculation of the coefficient of determination ICR analysis shows a result of 0.001, which means that the ICR is able to give a partial influence on stock price of 1% and 99% is influenced by other factors not examined.

Based on the results of the analysis of the partial t test, it shows the results of the comparison based on t arithmetic and t table results obtained t arithmetic < t table (-0.067 < 2.306) meaning that partially there is no influence between ICR on stock price, then Ho is accepted and Ha is rejected. Then based on the significance value > 0.05 probability (0.948 > 0.05), it means that partially there is no influence between ICR on stock price, then Ho is accepted and Ha is rejected."

The Effect of Basic Earning Power (BEP) on the Stock Price of PT Indofood Sukses Makmur Tbk. Based on the results of the analysis that has been carried out on the BEP variable (X2) on the stock price (Y) obtained the results of negative simple linear regression analysis with a constant value of 12,986 and the coefficient value -.308, If BEPchanges every 1% then the stock price increases by -.308. Because the value of the regression coefficient is minus (-) it can be interpreted that BEP has a negative effect on stock price, so the regression equationStock price (Y) = 12,986 -.308 BEP (X2).

Then the results of the correlation analysis showthe relationship between BEP and stock price is negative -0.281. This value is in the interval 0.20-0.399 which can be interpreted as having a weak relationship, so that if the BEP increases, the stock price will decrease and vice versa if the BEP decreases, the stock price will increase. The following table presents the criteria for the correlation relationship.

Then results BEP determination coefficient analysis calculation shows the result of 0.079, it can be interpreted that BEP is able to give a partial influence on stock price of 7.9% and 92.1% is influenced by other factors not examined.

Based on the results of the partial t test analysis, "showing the results of the comparison based on t arithmetic and t table obtained the results of t arithmetic < t table (-0.829 < 2.306) meaning that partially there is no influence between ICR on stock price, then Ho is accepted and Ha is rejected. Then based on the significance value > probability 0.05 (0.431 > 0.05), it means that partially there is no influence between ICR on stock price, then Ho is accepted and Ha is rejected."

The Effect of Earning Per Share (EPS) on the Stock Price of PT Indofood Sukses Makmur Tbk. Based on the results of the analysis that has been carried out on the EPS variable (X3) on the stock price (Y) obtained the results of a positive simple linear regression

analysis with a constant value of 7.154 and the coefficient value is .284, If EPSchanges every 1%, the stock price increases by .284. So it can be interpreted that EPS has a positive effect on stock price, so the regression equation is as follows:Stock price (Y) = 7,154 +.284 EPS (X3).

Then the results of the correlation analysis showthe relationship between EPS and stock price has a positive value of 0.514. This value is in the interval 0.40-0.599 which means that it has a moderate relationship, so that if EPS increases, the stock price will increase and vice versa if EPS decreases, the stock price will decrease. The following table presents the criteria for the correlation relationship.

Then results EPS determination coefficient analysis calculation shows the result of 0.264, which means that EPS is able to give a partial influence on stock price of 26.4% and 73.6% is influenced by other factors not examined. Based on the results of the partial t test analysis, "showing the results of the comparison based on t arithmetic and t table results obtained t arithmetic < t table (1.695 < 2.306) meaning that partially there is no influence between EPS on stock price, then Ho is accepted and Ha is rejected." Then based on the significance value > probability 0.05 (0.128 > 0.05), it means that partially there is no significant effect between EPS on stock price, then Ho is accepted and Ha is rejected.

The Effect of Interest Coverage Ratio (ICR), Basic Earning Power (BEP), and Earning Per Share (EPS) on the Stock price of PT Indofood Sukses Makmur Tbk. Based on the results of the analysis that has been carried out on the ICR (X1), BEP (X2) and EPS (X3) variables on stock price (Y) obtained the results of multiple linear regression analysis with a constant value of 1.700 if the independent variable is 0 or there is no change. Then if the independent variable ICR changes every 1% then the stock price increases by -1.261. Because the value of the ICR regression coefficient is minus (-) it can be interpreted that the ICR has a negative effect on stock price.

Then the value of the BEP coefficient if it changes every 1% then the stock price will increase by 0.777 and EPS if it changes every 1% then the stock price will increase by 0.728. So it can be interpreted that BEP and EPS have a positive effect on stock price. So the regression equation from ICR, BEP, EPS and stock price is as follows:Stock price (Y) = 7.154 - 1.261 ICR + 0.777 BEP + 0.728 EPS. Then the results of the correlation analysis showthe relationship between ICR, BEP and EPS on the stock price is positive at 0.711. This value is in the interval 0.60-0.799 which means that it has a strong relationship, so that if the ICR, BEP and EPS increase, the stock price will increase and vice versa if the ICR, BEP and EPS decrease, the stock price will decrease. The following is a table of correlation criteria:

Then results The calculation of the coefficient of determination analysis shows the results of 0.505, which means that ICR, BEP and EPS are able to simultaneously influence stock price of 50.5% and 49.5% are influenced by other factors. Based on the results of the f test calculation above, the calculated f value is 2.044. Based on the calculation of F table (K-1) (nK), K is the number of independent and dependent variables, while n is the number of data. Then it can be seen (4-1) (10-4) with a significance level of 0.05 or 5%, the results obtained from the F table are 4.76.

The results of the comparison between f arithmetic and f table are obtained f arithmetic < f table (2.044 < 4.76) meaning that simultaneously there is no influence between ICR, BEP and EPS on stock price, then Ho is accepted and Ha is rejected. Then based on the significance value > probability 0.05 (0.209 > 0.05) meaning that simultaneously there is no influence between ICR, BEP and EPS on stock price, then Ho is accepted and Ha is rejected."

When described Interest Coverage Ratio(ICR), Basic Earning Power (BEP), Earning Per Share (EPS) on the Stock price of PT Indofood Sukses Makmur Tbk. Like the picture below:
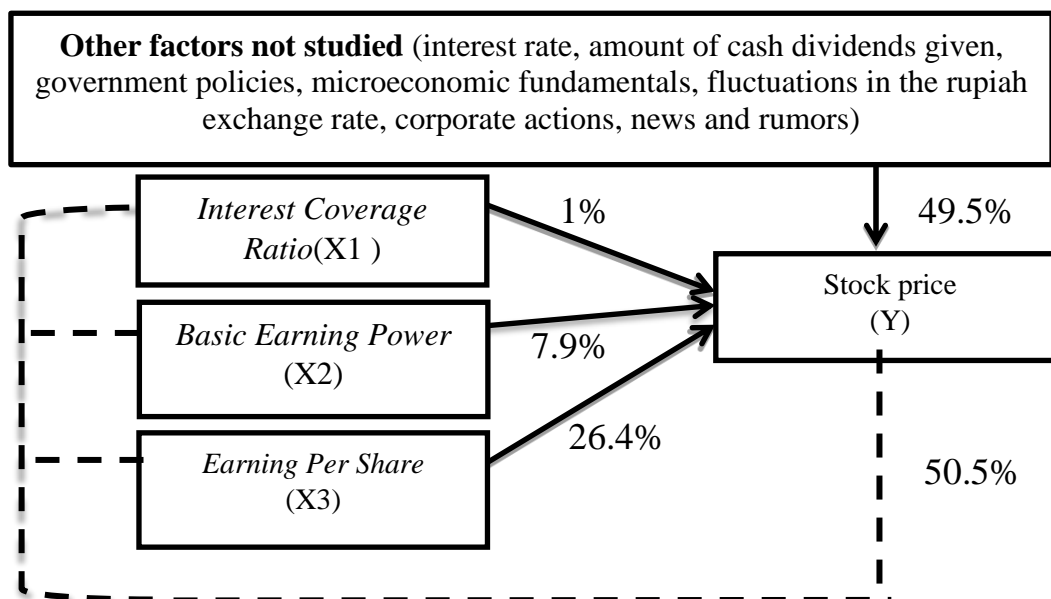
Picture 2. Coefficient of Determination ICR, BEP and EPS to Stock Price

Based on what has been explained previously, the Interest Coverage Ratio (ICR) is a ratio that shows how many times a company can use its pre-tax income to pay interest expenses. So the bigger the ratio, the better and more profitable. So the company can allocate profits after paying interest for operations and also for the welfare of investors in the form of dividends or bonuses.

Then the Basic Earning Power (BEP) ratio which shows how efficiently the company manages total assets to be generated as profit before tax. So that if the company's profits increase, it can lead to confidence in investors and will affect the stock price. Then Earning Per Share (EPS), which is the profit the company earns per share, a large EPS gives a positive image to investors because the company is able to earn a profit, so that investors will be able to get dividends.

Based on the results of research that has been done, ICR shows no and no significant effect on stock price, BEP shows no and no significant effect on stock price, as well as EPS does not have a significant effect on stock price. And simultaneously ICR, BEP and EPS have no significant effect on stock price. This can be seen from the discussion above and also based on the percentage of fother actors that are not studied are quite large, namely 49.5% so that further research can be carried out to find out from other factors that affect stock price, namely the company's fundamentals (ROE, ROA, NPM, OPM, EAT, etc.), interest rates, total cash dividends given, government policies, microeconomic fundamentals, fluctuations in the rupiah exchange rate, corporate actions, news and rumors.

CONCLUSION

Based on the results of the description, analysis results, discussion results and to answer the problem formulation that has been described in the initial chapter, namely to find out how much influence partially and simultaneously from *Interest Coverage Ratio* (ICR)*, Basic Earning Power* (BEP) and Earning Per Share (EPS) to Stock Price on PT Indofood Sukses Makmur Tbk. Then the following conclusions are obtained:" 1) Influence"*Interest Coverage Ratio* (ICR) to the stock price partially has very weak relationship and in the calculation of significance there is no significant effect between ICR on stock price. 2) Influence *"Basic Earning Power* (BEP) to the stock price partially have a weak relationship and in the calculation of significance there is no effect between BEP on stock price. 3) Influence "*Earning Per Share* (EPS) to the stock price partially has moderate relationship and in the calculation of significance there is no effect between EPS on stock price. 4) Influence "*Interest Coverage Ratio* (ICR)*, Basic Earning Power* (BEP) and Earning Per Share (EPS) on stock price simultaneouslyhave a strong relationship and in the calculation of significance there is no effect between ICR, BEP and EPS on stock price.

REFERENCE

Arifin, A. (2001). *Membaca Saham.* Yogyakarta: CV Andi Offset.

Aziz, M dkk. (2015). *Manajemen Investasi Fundamental, Teknikal, Perilaku Investor dan Return Saham.* Yogyakarta: Deepublish.

Budiman, R. (2019). *Rahasia Analisis Fundamental Saham*. Jakarta: PT Elex Media Komputindo Kelompok Gramedia.

Editor, *Annual Report, dalam www.indofood.com* diakses pada tanggal 19 Maret 2021 pukul 21.00 WIB.

Editor, *Data Pasar, data saham, dan index saham ISSI*, dalam www.idx.co.id. Di Akses pada tanggal 17 Maret 2021, pukul 23.58

Fahmi, I. (2006). *Analisis Investasi dalam Perspektif Ekonomi dan Politik*. PT Refika Aditama: Bandung.

Fahmi, I. (2013). *Pengantar Pasar Modal Panduan Para Akademisi dan Praktisi Bisnis dalam Memahami Pasar Modal Indonesia*. Bandung: Alpha Beta.

Mufaidah. (2014). *"Pengaruh Struktur Modal Terhadap Harga Saham Pada Jakarta Islamic Index Periode 2009-2013"*.Surabaya: Universitas Airlanga.

Mulyani, E. (2019). "*Pengaruh Basic Earning Power (BEP) Dan Earning After Tax (EAT) Terhadap Harga Saham Pada Perusahaan Yang Terdaftar Pada Indeks Saham Syariah Indonesia (ISSI) (Studi Kasus Pada Pt. Ultrajaya Milk Industry & Trading Company Tbk Periode 2006-2017)*". Bandung: UIN Sunan Gunung Djati Bandung.

Sutopo. (2006). *Metodologi Penelitian Kualitatif*. Surakarta: UNS.

Syafri, H & Sofyan. (2016). *Analisis Kritis Atas Laporan Keuangan.* Jakarta: PT. Raja Grafindo Persada.

Wibowo, D. & Harto. (2018). "*Pengaruh Struktur Modal terhadap harga saham pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI)"*. Medan: Universitas Sumatera Utara.