CHAPTER I

INTRODUCTION

1.1 Background of the Study

The fluctuation of stock prices in the capital market has become an interesting phenomenon to discuss with regard to the issue of fluctuations in the value of the company itself and the desire of investors to invest. Stock price fluctuations occur in companies listed on the Indonesia Stock Exchange. One indicator of stock price movements is the stock price index. For example, the stock price movements of IHSG from 2005 to 2017 can be seen in the following Figure.
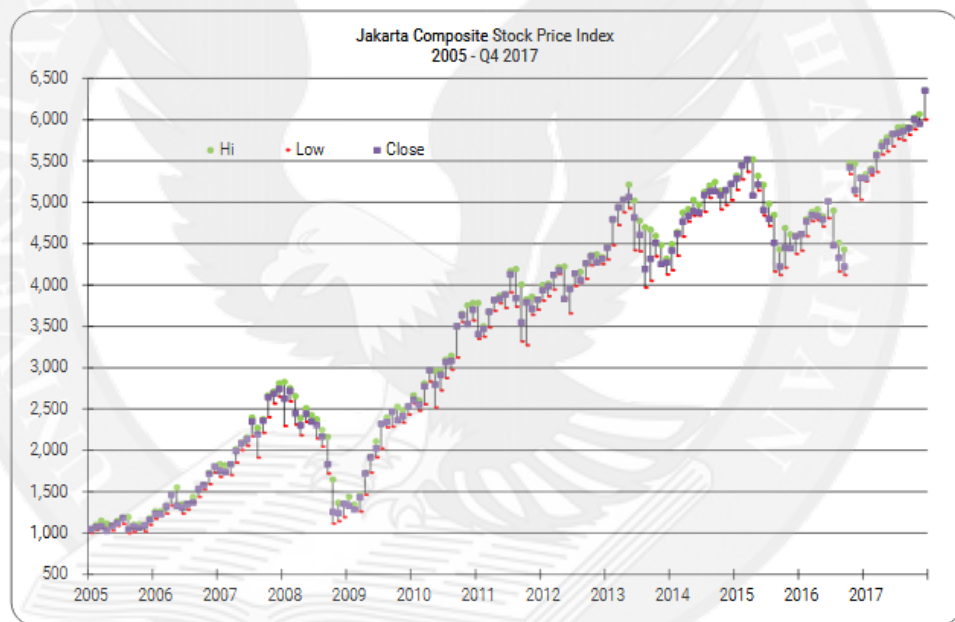

Figure 1.1 IHSG stock price movements from 2005 to 2017
Source: www.idx.co.id

Figure 1.1 shows the IHSG stock price movements from the year 2005 to 2017. As seen in the graph, stock price on the IHSG has fluctuated every year. Viewed from 2013 to 2017, the growth percentage was -0.98%, 22.29%, -12.13%, 15.32%, 19.99% in respectively. Therefore, this stock price movement can have an impact on investors. For example, if at the beginning of 2013 an investor invests Rp1,000,000, it will become

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Rp992,000 by the end of the year. Then, when the stock price in 2014 increases, the value that has already dropped will become Rp1,210,916. Then, in 2015, the stock price drops back to minus, then the value will decrease again to Rp1,064,032 and in 2016, it will increase again to Rp1,227,041. In 2017, there is an increase again, the initial value invested in 2013 of Rp1,000,000 will be Rp1,472,327 by the end of 2017.

These stock prices fluctuation can be found attractive for investors because investors only need to invest a certain amount of money and then the value of the money will grow by itself in accordance with prices in the capital market. However, investors are very sensitive to the fluctuations in this stock price. If the price offered by the capital market at that time is higher than the purchase price, the investor will get a pretty satisfactory capital gain and vice versa where investors will suffer a loss if the stock price decreases (investment risk).

The problem which is often faced by investors in the capital market is choosing the right company to invest to get the investment at a reasonable price and reflect potential investment. Companies that are listed on Indonesia Stock Exchange (IDX) are go public companies, which means the companies publish or report all the financial statement data, such as the company's quarterly sales, profit (or loss), expenses, growth percentages, and much more. Steinhard (2017) said these data may help investors in making financial decision such as selling what they own or buying more stock. Investor can use financial statement to check the background of the targeted company and the company's growth for over the past few years, calculate the company's ratios in order to find out how profitable the company is, including being able to use EPS and DPS variables in the financial statement that will be discussed by the writer in this study.

Earnings per Share (EPS) describes the profitability of a company which is reflected on each share. The higher the number, the more potentially valuable each share of stock. For an investor who is seeking for

a fixed source of income, EPS can be useful in estimating how much the company has to increase the amount of dividend.

Aside from getting capital gains, dividend is also one of the investor's goals in making investments and this can be seen in Dividend per Share (DPS) ratio. Dividend is a reward given to shareholders for owning stock in the company (Hobson, 2012). In general, this reward can be distributed into two forms, namely, cash dividend and stock dividend. Cash dividend means that the shareholders are paid in cash per share; therefore the company needs to have positive earnings and enough cash for the payment of dividends. However, if the company has a low operating cash, distributing stock dividend can be an option. Each shareholder receives a certain number of additional shares depending on the number of shares owned by the shareholder.

This research was conducted in the property, real estate and building construction sector because the sector has considerable market potential in Indonesia supported by several factors. First, population in Indonesia can be seen in the table 1.1 below:

Table 1.1 Population in Indonesia

Year	Age			Total
	0-14	15-64	65+	
2015	69,857,406	171,874,288	13,729,992	**255,461,686**
2016	70,096,861	174,375,008	14,233,117	**258,704,986**
2017	70,295,363	176,807,788	14,787,721	**261,890,872**
2018	70,486,717	179,126,971	15,401,625	**265,015,313**
2019	70,635,883	181,354,922	16,083,760	**268,074,565**

Source: www.bps.go.id

Table 1.1 shows that the population in Indonesia always increase every year. With the increase in population, it will have an impact on the increasing need for shelter, workspace, entertainment, such as shopping malls, etc. Second, supply and demand on land. Property and real estate businesses often increase due to land prices, which tend to rise every year, For example, land supply is fixed whereas the demand will always increase in line with the increase in population. In addition, according to Oshikoya and Etti (2019, p.214), "The real estate sector is a leading

indicator of economic performance as the sector generates multiplier effects on the other sectors". This is because property and real estate with a focus on housing and construction is one of the sectors which absorbs a large number of workers and creates employment opportunities starting from labor, staff, to professional workers. Therefore, the property and real estate sector has directly or indirectly encouraged national productivity, reduced unemployment, and reduced poverty.

The reasons why the writer of this research examine EPS and DPS are; First, because earnings and dividends can be used to measure the intrinsic value of shares. Second, dividends paid by companies are basically from earnings, the size of earnings earned depends on how much dividends are paid. Therefore, DPS may be a moderating variable which affects EPS. The writer is also aware of the inconsistent results from previous researchers who have examined the value of EPS and DPS on stock price, who are Marcellyna (2013), shows that EPS has an influence on the stock price of companies listed in LQ-45 of IDX; Yuliani and Supriadi (2014), show EPS and DPS significances towards stock price; Lilianti (2018) shows that there are influences of DPS and EPS on stock price of pharmaceutical companies in the IDX.

Meanwhile, Yanti and Suryawana (2013) show that EPS and DPS have significant effects on stock prices. However, the results of the analysis show that DPS cannot moderate the relationship between EPS and stock price. And then, Khairani (2016) shows that EPS and DPS do not affect stock prices in the mining sector.

Therefore, based on the background described above, the writer is interested in conducting a research entitled "**The Effect of Earnings Per Share (EPS) to Stock Price with Dividend Per Share (DPS) as Moderating Variable in Property, Real Estate and Building Construction Companies Listed on Indonesia Stock Exchange from the period 2015 to 2017**".

1.2   Problem Limitation

Problem Limitation is used to avoid discussing the subject matter that is too broad so that the research is more directed to achieve the research objectives. Therefore, this research is limited to the effects of Earnings per Share and Dividend per Share on stock price of the Property, Real Estate and Building Construction companies listed on Indonesia Stock Exchanges in the period 2015 to 2017 because it shows the latest information to analyze.

1.3   Problem Formulation

1. Does Earnings per Share (EPS) have a significant effect on the company's stock price?
2. Does Dividend per Share (DPS) have a significant effect on the company's stock price?
3. Does Dividend per Share (DPS) can moderate the relationship of Earnings per Share (EPS) to the company's stock price?

1.4   Objectives of the Research

1. To find out whether Earnings per Share (EPS) has a significant effect on the company's stock price.
2. To find out whether Dividend per Share (DPS) has a significant effect on the company's stock price.
3. To find out whether Dividend per Share (DPS) can moderate the relationship of Earning per Share (EPS) to the company's stock price.

1.5   Benefit of the Research

The results of this research are expected to provide the following benefits:

1.5.1 Theoretical Benefit

This research is expected to be useful for academic activities so that it can provide knowledge about the effect of Earning per Share and Dividend per Share on Stock Price.

1.5.2 Practical Benefit

1. This research can provide results that can be used as comparison and reference material for the next research.
2. As an insight into developing knowledge in the financial sector, especially about the factors that influence stock prices in the capital market.
3. This research is expected to be an input for investors in investing in the capital market.

1.6 System of Writing

This paper is divided into five parts with systematic discussion.

CHAPTER I INTRODUCTION

This part contains an introduction, which describes the background of the study about the phenomenon of stock price fluctuation, problem limitation, problem formulation, objective of the research, benefits of the research and system of writing.

CHAPTER II LITERATURE REVIEW

This section contains the grand theory which is signaling theory, theoretical background relating to the effect of Earning per Share and Dividend per Share on Stock Price; previous research which contains the similarities and differences between this research and the previous researches; the hypothesis and research model made in the form of a chart; and the framework of thinking which describes the arrangement and direction of the research problem formulation.

CHAPTER III RESEARCH METHODOLOGY

This chapter contains the research design which is a quantitative research, population and samples, methods of data collection used, operational variable definition and variable measurement, and methods used to analyze data using multiple linear regression.

CHAPTER IV DATA ANALYSIS AND DISCUSSION

This chapter contains a general view of the public company in Indonesia, then describes the data analysis of the descriptive analysis of the object of research, testing the quality of data using Classic Assumptions test which consists of normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test; and Hypothesis testing uses coefficient test, T test, F test, and Moderated Regression Analysis (MRA), then discussion which describes the results of the overall test.

CHAPTER V CLOSING

This chapter contains conclusions, implications, and recommendations based on the results from the previous chapter.