

THE EFFECT OF OPERATING LEVERAGE AND FINANCIAL LEVERAGE ON EARNINGS PER SHARE OF PT. UNILEVER TBK

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Abstract. The purpose of this study is to determine and analyze the effect of Operational Leverage (DOL) and Financial Leverage (DFL) on Earnings Per Share (EPS) at PT. Unilever Indonesia Tbk. The method used in this study is a quantitative method. The research population used by the researcher is data from the last 10 years from 2015-2024. In this study, the data was processed using SPSS 23 software. The results of the analysis show that Degree Operational Leverage does not have a significant effect on Earning Per Share. Degree Financial Leverage does not have a significant effect on Earning Per Share. Degree Operational Leverage and Degree Financial Leverage simultaneously do not have a significant effect on Earning Per Share.

Keywords: degree operational leverage; degree financial leverage; earning per share.

1. Introduction

A company is a business organization with various types and forms that conducts business activities to earn profits and as a place of production. Many companies today are established as limited liability companies (PT). A limited liability company is a company whose ownership is marked by the existence of shares representing investments made by investors in the company. The main objective of a company is basically to increase and maximize the profits of the company's owners, as reflected in the earnings per share or profit per share.

In an increasingly competitive business world, companies are required to be able to manage their cost structures and funding sources effectively in order to maximize profits and provide added value to shareholders. One indicator often used to measure a company's performance from the perspective of shareholders is Earnings Per Share (EPS), which is the net profit available for each share outstanding. A high EPS reflects a company's ability to generate profits and is a positive signal for investors.

Earnings Per Share (EPS) is a ratio that calculates the profit or earnings per share. In general, shareholders and prospective shareholders are very interested in and pay close attention to earnings per share. For a company's financial managers, EPS is an indicator of the company's good performance, especially in the management of the company's capital or assets. Earnings Per Share (EPS) can be influenced by a company's financial performance. In general, there are two factors that affect the value of EPS, namely capital structure and net profit before tax.

Factors affecting EPS can originate from both the operational and financial sides of the company. From an operational perspective, operating leverage describes the extent to which a company uses fixed costs in its operating structure. A high level of operating leverage will cause changes in sales to have a greater impact on earnings before interest and taxes (EBIT). Thus, fluctuations in sales will be more quickly reflected in the company's profits, which ultimately affects EPS. Meanwhile, from a financing perspective, Financial Leverage indicates the extent to which a company uses debt to finance its assets. High debt usage can increase returns for shareholders when the company is able to generate profits that are higher than interest costs. However, high financial leverage also increases financial risk, because the company still has to pay interest even when sales decline.

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PT Unilever Tbk, as one of Indonesia's multinational companies engaged in consumer goods, has a complex cost and financing structure. Its financial reports show the use of production and marketing costs, as well as debt in operational financing. The fluctuation of PT Unilever Tbk's EPS in recent years is interesting to study, considering that unstable EPS can affect investor confidence in the company's prospects. PT Unilever Indonesia Tbk shows a financial structure that is highly dependent on debt—with a Debt Ratio of 78–80%, a DER of around 3.6–3.9, and an increase in Long-Term DER to 0.6 in 2023. This clearly exceeds industry standards and indicates the potential for serious financial risk if not balanced with efficient operational and financial management.

This condition shows that even though operational profitability and asset efficiency are not yet optimal, aggressive financial leverage has succeeded in driving returns on equity. This is where it is important to understand the dynamics of the influence of Operating Leverage (management of fixed costs and EBIT response to sales) and Financial Leverage (debt-based funding structure) on EPS. The main issue that arises is how operating leverage and financial leverage affect EPS. If a company cannot manage leverage appropriately, greater risks of loss may arise, even if the company has good sales prospects. Conversely, with optimal leverage management, a company can increase EPS value and attract more investors. Research on the effect of operating leverage and financial leverage on EPS at PT Unilever Tbk is important to provide an empirical picture of the extent to which a company's cost structure and funding structure affect shareholder welfare. The results of this study are expected to provide input for company management in making strategic decisions, as well as for investors in assessing company performance and risk before investing. This study was conducted to determine the effect of operational leverage and financial leverage on earnings per share at Unilever Indonesia Tbk. for the period 2015-2024.

2. Research Methods

The method used in this study is the quantitative associative method. According to (P. D. Sugiyono, 2012), the quantitative method is a method used to study populations or samples randomly in accordance with the philosophical basis of positivism. Data is collected using research instruments and analyzed in accordance with predetermined quantitative statistical hypotheses. Associative research is research used to show the influence or relationship between two or more variables (S. Sugiyono, 2012).

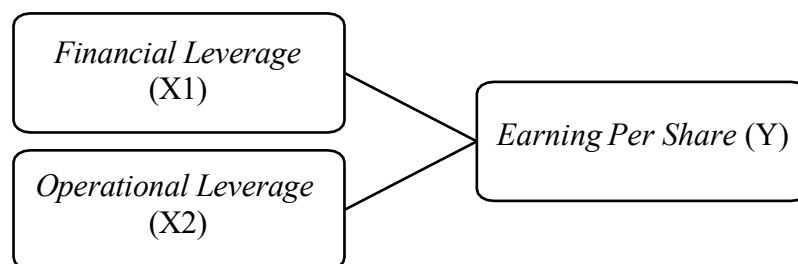


Figure 1. Research Models

3. Results and Discussion

In this study, there are three variables whose effects will be analyzed. The three variables in this study are divided into two categories: the independent variables of Degree of Operational Leverage (DOL) and Degree of Financial Leverage (DFL), and the dependent variable of Earnings Per Share (EPS).

Table 1. DOL, DFL, and EPS Result

Tahun	DOL	DFL	EPS
2015	2,38	1,34	766
2016	2,39	1,34	838
2017	2,24	1,34	918
2018	1,73	1,34	238
2019	2,23	1,34	194
2020	2,44	1,28	188
2021	2,62	1,3	151
2022	2,73	1,3	141
2023	3,09	1,29	126
2024	3,84	1,29	88

3.1 Normality Test

Normality test is a test that aims to test whether the regression of the dependent variable and independent variable is normally distributed or not. Data normality testing is carried out using the one-way Kolmogorov Smirnov test method. If the significance number is less than 5%, the data is said to not meet the normality assumption. If the significance number is greater than 5%, the data meets the normality assumption.

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandaridzed Residual
N		10
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	285.40043089
Most Extreme Differences	Absolute	.176
	Positive	.176
	Negative	-.158
Test Statistic		.176
Asymp. Sig. (2-tailed)		.200 ^{c,d}

Based on the results from SPSS 23 software using a one-way Kolmogorov Smirnov test, the Asymp. Sig. (2-tailed) value obtained was $0.200 > 0.05$. It was concluded that the residual values were normally distributed.

3.2 Multicollinearity Test

Multicollinearity test is a test that aims to determine the correlation between independent variables. In a good regression model, there is no correlation between the independent variables. This phenomenon can be detected by the tolerance value and the Variance Inflation Factor (VIF) value. The commonly used threshold values to indicate the presence of multicollinearity are a tolerance value < 0.10 or a VIF value > 10 .

Table 3. Multicollinearity Test

Model	Coefficients ^a								
	Unstandardized Coefficients		Standardized Coefficients		Correlations				Collinearity Statistics
	B	Std. Error	Beta	t	Sig.	order	Partial	Part	
(Constant)	659.280	579.517		1.138	.293				
¹ DOL	-2.066	1.908	-.354	-1.083	.315	-.397	-.379	-.351	.983
DFL	2.184	2.166	.330	1.008	.347	.376	.356	.327	.983

The results of the multicollinearity test using SPSS 23 are as follows:

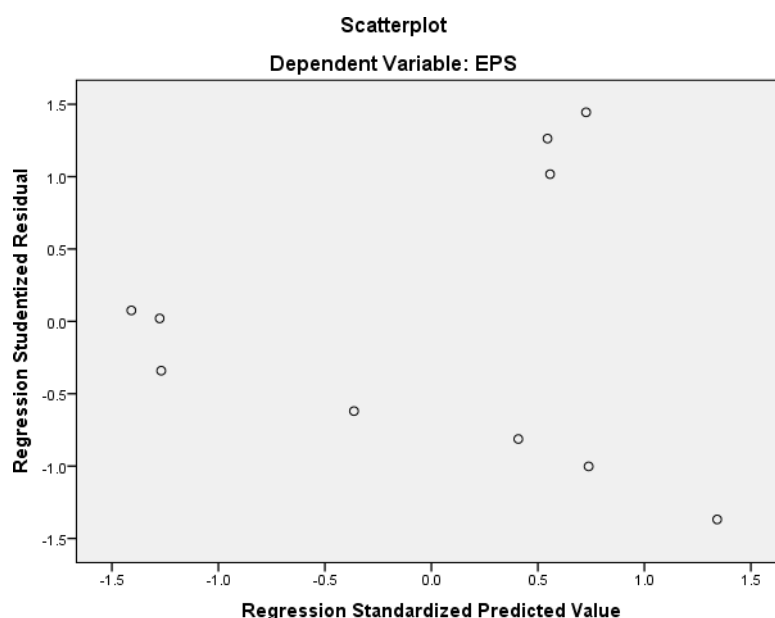
1. The Tolerance Degree Operational Leverage (DOL) value is $0.983 > 0.10$ and the VIF Degree Operational Leverage (DOL) value is $1.018 < 10$.
2. The Tolerance Degree Financial Leverage (DFL) value is $0.983 > 0.10$ and the VIF Degree Financial Leverage (DFL) value is $1.018 < 10$.

Based on the test results, it can be concluded that there are no symptoms of multicollinearity.

3.3 Test Heteroscedasticity

The results of the heteroscedasticity test using SPSS 23 are By using SPSS version 23 and using Scatterplot, it can be seen that the distribution of points does not form a clear pattern, and the points are scattered above and below the number 0 on the Y axis. So, it can be concluded that there is no heteroscedasticity problem, so that a good and ideal regression model can be fulfilled.

Figure 2. Test Heteroscedasticity



3.4 Test Autocorrelation

Based on the results of the autocorrelation test using the run test method in SPSS 23 software, the results obtained were Asymp. Sig. (2-tailed) of $0.314 > 0.05$, so it can

be concluded that there are no symptoms or problems of autocorrelation.

Table 4. Test Autocorrelation

Runs Test	
	Unstandardized Residual
Test Value ^a	-27.49787
Cases < Test Value	5
Cases ≥ Test Value	5
Total Cases	10
Number of Runs	4
Z	-1.006
Asymp. Sig. (2-tailed)	.314

a. Median

3.5 Test Linearity

Based on the results of the linearity test using a scatter plot graph, it can be concluded that the plot points form a straightline pattern from the lower left to the upper right. This indicates that there is a linear relationship between Degree of Operational Leverage and Degree of Financial Leverage (X) with Earning Per Share (Y). Because there is a linear relationship, the regression model assumption in this study is fulfilled.

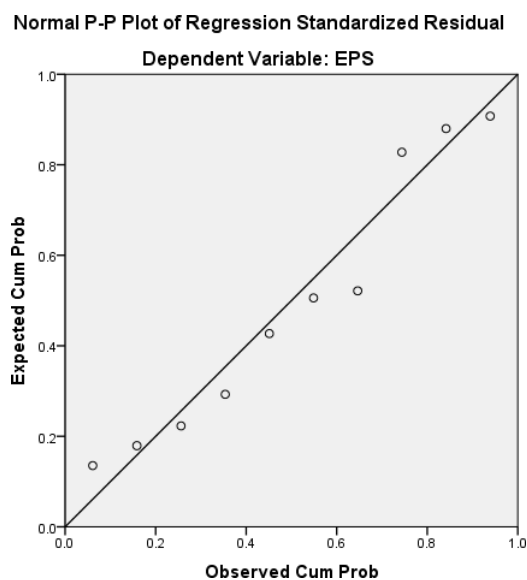


Figure 3. Linearity Test

3.6 Multiple Linear Regression Analysis

Multiple linear regression analysis is used to test whether there is a linear relationship between the independent variable (X) and the dependent variable (Y). The

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following are the results of calculations using SPSS 23 software, which produced the following regression equation:

$$Y = 659.280 - 2.066X^1 + 2.184X^2$$

Table 5. Multiple Linear Regression Analysis

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	659.280	579.517		1.138	.293
DOL	-2.066	1.908	-.354	-1.083	.315
DFL	2.184	2.166	.330	1.008	.347

The interpretation of the regression equation above is as follows:

1. A value of 659,280 indicates that if the Degree of Operational Leverage and Degree of Financial Leverage are equal to zero, then the Earnings Per Share of PT. Unilever Indonesia Tbk is 659,280%.
2. The β_1 value of -2.066 indicates that a 1% increase in the dollar will decrease EPS by 2.066.
3. β_2 value of 2.184 indicates that every 1% increase in DFL will increase EPS by 2.184.

3.7 Coefficient of Determination

The coefficient of determination is used to determine how much the independent variable (X) contributes to influencing the dependent variable (Y). Based on the results calculated using SPSS 23 software, the R square value obtained is 0.265 or 26.5%. This means that 26.5% of the influence on the dependent variable is due to the independent variable, while the remaining 73.5% is influenced by other variables not included in this study.

Table 6. Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.514 ^a	.265	.054	323.61367

a. Predictors: (Constant), DFL, DOL

b. Dependent Variable: EPS

The F test is used to determine the simultaneous effect of independent variables on dependent variables. Based on the test results using SPSS 23 software, a significance value of 0.341 was obtained. The significance value is less than 0.05, namely $0.341 < 0.05$

Therefore, the conclusion is that simultaneously, the Degree of Operational Leverage and Degree of Financial Leverage variables do not have a significant effect on Earnings Per Share. Uji t

The t-test was conducted to determine the effect of each independent variable on the dependent variable (Earning Per Share). Based on the test results using SPSS 23 software, the coefficient table shows that:

1. The significance value of the Degree of Operational Leverage variable is 0.315. This

value is greater than 0.05 ($0.315 > 0.05$). Therefore, the conclusion is that the Degree of Operational Leverage does not have a significant effect on the Earnings Per Share of PT. Unilever Indonesia Tbk.

2. The significance value of the Degree of Financial Leverage variable is 0.347. This value is greater than 0.05 ($0.347 > 0.05$). Therefore, the conclusion is that the Degree of Financial Leverage does not have a significant effect on the Earnings Per Share of PT. Unilever Indonesia Tbk.

Based on the results of the research that has been conducted, the researchers have concluded the following:

1. The degree of operational leverage at PT. Unilever Indonesia Tbk. for the period 2015-2024 has increased from year to year, showing an upward trend. The degree of operational leverage has no significant effect on earnings per share. This means that changes in the degree of operational leverage do not affect earnings per share.
2. The degree of financial leverage at PT. Unilever Indonesia Tbk. for the period 2015-2024 is relatively stable. The degree of financial leverage has no significant effect on earnings per share. This means that changes in the degree of financial leverage do not affect earnings per share.
3. Degree of operational leverage and degree of financial leverage simultaneously have no significant effect on earnings per share.

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