



THE EFFECT OF RETURN ON EQUITY (ROE), DEBT TO EQUITY RATIO (DER), AND EARNINGS PER SHARE (EPS) ON THE STOCK PERFORMANCE OF PT BANK MANDIRI TBK

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Abstract. This study aims to analyze the effect of Return on Equity (ROE), Debt to Equity Ratio (DER), and Earnings per Share (EPS) on the return on shares of PT Bank Mandiri Tbk for the period 2015–2024. The method used is a quantitative approach with multiple linear regression analysis using SPSS version 26. The results show that simultaneously and partially, the ROE, DER, and EPS variables do not have a significant effect on stock returns, with an F-test significance value of $0.829 > 0.05$ and a t-test value for each variable above 0.05. The coefficient of determination (R^2) value of 0.240 indicates that these three variables can only explain 24% of the variation in stock returns. Therefore, the stock returns of PT Bank Mandiri Tbk are more influenced by external factors outside the company's financial ratios.

Keywords: return on equity; debt to equity ratio; earning per share; and stock return.

1. Introduction

The capital market in Indonesia plays an important role in driving national economic growth, as it acts as an intermediary between parties with excess funds and parties that need funds for business activities. This is confirmed in Law of the Republic of Indonesia Number 8 of 1995 concerning Capital Markets Article 3, which states that the purpose of organizing the capital market is to support national development in order to improve justice, growth, and economic stability.

Therefore, the capital market not only serves as a means of raising long-term funds, but also provides opportunities for the public to invest and earn profits. One of the main instruments in the capital market is shares, which according to POJK No. 29/POJK.04/2016 Article 1 paragraph (2) are securities that represent ownership of a public company. Investors purchase shares with the expectation of earning profits in the form of dividends and capital gains.

The amount of profit received by investors is inseparable from the fundamentals of the company and external factors that affect market performance. Therefore, analyzing company performance is an important aspect for investors in making investment decisions. An investor uses various methods to obtain profits in line with their desired returns through independent analysis. To assess a company's performance, one of the approaches used is analysis. An investor uses various methods to obtain profits in line with their profit targets by conducting independent analysis. To assess a company's performance, one of the approaches used is financial statement analysis.

The Financial Services Authority requires every public company to submit annual financial reports in accordance with the provisions of POJK No. 29/POJK.04/2016 Article 8 paragraph (2), which requires the presentation of information regarding profits, equity, and other financial data. From these financial reports, various financial ratios can be calculated, including Return on Equity (ROE), Debt to Equity Ratio (DER), and

Earning per Share (EPS). ROE describes a company's ability to generate profits with its own capital, DER shows the capital structure that reflects the ratio between debt and equity, while EPS shows the amount of net profit per share that investors are concerned about. PT Bank Mandiri is a company engaged in Finance and Banking, which is one of the largest companies in its field in Indonesia.

Previous research conducted by (Kurnia, 2020) found a partial effect on the return on equity variable on sharia stock prices, while the EPS and DER variables had a negative effect on sharia stock prices. Meanwhile, research conducted by (Andriani et al., 2023) had different results, where the results of the study stated that the variables of return on equity, earnings per share, and debt to equity ratio had a simultaneous and partial effect on stock prices in the processed food sector.

In a study conducted by (Novalddin et al., 2020), the results showed that the current ratio had a significant effect on stock prices with a significance value of $0.01 < 0.05$. ROA does not have a significant effect with a value of $0.32 > 0.05$, EPS has a significant effect on stock prices with a significant value of $0.00 < 0.05$. Then DER has a significant effect on stock prices with a significant value of $0.0 < 0.05$.

2. Research Methods

The object of this study is PT Bank Mandiri Tbk with independent variables, namely Return on Equity (ROE), Debt to Equity Ratio (DER), and Earning per Share (EPS), as well as dependent variables, namely stock returns. This study uses a quantitative method with a descriptive approach to analyze the effect of financial ratios on stock returns.

The data used is secondary data in the form of PT Bank Mandiri Tbk's annual financial reports for the 2015-2024 period, obtained from the company's official website and the Indonesia Stock Exchange (IDX). Data analysis uses multiple linear regression analysis with the help of the SPSS 26 program. Before the regression test, a classical assumption test (normality, multicollinearity, heteroscedasticity, and autocorrelation) is carried out to ensure the feasibility of the model.

3. Literature Review

3.1 Capital Market

According to Tandelilin (2010), the capital market plays an important role in channeling funds from parties with excess funds to parties that need those funds. Therefore, the purchase and sale of stocks, bonds, and mutual funds are included in the scope of the capital market.

The stock exchange is an institution that facilitates the sale and purchase of these securities. Formally, the capital market is defined as a market for long-term financial instruments, such as stocks and debt securities.

3.2 Stock Return

According to Herlambang & Kurniawati (2022), stock returns are the rate of return that investors obtain from their investments over a certain period of time. According to Jogiyanto (2017), stock returns are the rewards obtained from investments. There are two types of stock returns: capital gains and dividends.

Capital gains are rewards received by investors without going through a general meeting of shareholders (Purba, 2019). Capital gains can be obtained if investors sell their

shares at a price higher than the purchase price. If the selling price of the shares is lower than the purchase price, investors will experience a loss, known as a capital loss. Stock returns can be calculated using the following formula:

$$\text{Return Saham} = \frac{P_t - P_{t-1}}{P_{t-1}}$$

3.3 Return on Equity

According to Kasmir (2018), return on equity (ROE) or return on own capital is a ratio used to measure net income after tax against own capital. This ratio shows the efficiency of own capital utilization. The higher the ratio, the better. This means that the position of the company's owners is stronger, and vice versa. The formula used is as follows:

$$\text{Return on Equity} = \frac{\text{Earning After Tax}}{\text{Equity}}$$

3.4 Earnings per Share

According to Kasmir (2018), the earnings per share ratio or book value ratio is a ratio used to measure the success of management in generating profits for shareholders. A low ratio means that management has not been successful in satisfying shareholders, while a high ratio means that shareholder welfare has increased. In other words, a high rate of return. The following formula can be used to calculate EPS:

$$\text{Earning per Share} = \frac{\text{Net Income}}{\text{Share Outstanding}}$$

3.5 Debt to Equity Ratio

According to Kasmir (2018), the debt to equity ratio is a financial ratio used to assess a company's debt and equity. This ratio is used to determine the total funds provided by lenders (creditors) and company owners. In other words, this ratio shows how much of the company's capital is used as collateral for debt.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Shareholder Equity}}$$

4. Results And Discussion

After determining the formulas for calculating Return on Equity, Debt to Equity Ratio, Earning per Share, and Return on Shares, the values of each variable for PT Bank Mandiri for the period 2015-2024 were obtained. The results of the calculation of these variables can be seen in the following table:

Table 1. Return on Equity (X1), Debt to Equity Ratio (X2), Earnings per Share (X3), dan Return Saham (Y) PT. Bank Mandiri Tbk Period 2015-2024

Years	ROE (%)	DER (%)	EPS (Rp)	Return Saham (%)
(1)	(2)	(3)	(4)	(5)
2015	24.19	593.47	871,50	-5.78
2016	27.31	577.55	295,85	21.90
2017	22.62	612.14	442,28	41.27

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(1)	(2)	(3)	(4)	(5)
2018	16.24	597.26	536,04	11.06
2019	9.36	579.82	360,18	-17.58
2020	15.08	490.70	360,18	4.06
2021	16.23	509.27	601,06	-7.8
2022	14.53	522.34	441,26	38.21
2023	11.12	537.62	589,93	25.11
2024	23.03	616.10	597,67	-14.14

Then, after determining the results of each variable for the 2015-2024 period, the results of these variables can be analyzed using SPSS to test the relationship and influence between variables. The results of these statistical tests are presented in several tests as follows:

4.1 Results

Based on the results of research on PT Bank Mandiri Tbk for the period 2015–2024, it was found that Return on Equity (ROE), Debt to Equity Ratio (DER), and Earnings per Share (EPS), both simultaneously and partially, did not have a significant effect on stock returns. The regression model used has met all classical assumption tests, with the equation $Y = 47.498 + 0.788X_1 - 0.056X_2 - 0.040X_3 + e$ and a coefficient of determination (R^2) value of 0.240, which means that only 24% of the variation in stock returns can be explained by these three variables.

The F-test results show a significance value of 0.829, while the t-test produces significance values for ROE (0.638), DER (0.801), and EPS (0.447), all above 0.05, so they are considered insignificant. This indicates that the company's fundamental factors are not yet the main determinants of changes in stock returns, and that the movement of PT Bank Mandiri Tbk's stock price is more influenced by external factors such as market conditions, economic policy, and investor sentiment.

Table 2. Regression Analysis Results

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error				Zero-order	Partial	Part
1 (Constant)	47.498	107.062		.444	.673			
ROE	.788	1.589	.221	.496	.638	.104	.198	.189
DER	-.056	.212	-.118	-.263	.801	-.072	-.107	-.100
EPS	-.040	.050	-.318	-.813	.447	-.304	-.315	-.310

a. Dependent Variable: RETURN SAHAM

The regression analysis results show that the constant of 47.498 indicates that there are other factors outside the model that affect stock returns. The ROE variable has a positive coefficient of 0.788, indicating a direct relationship with stock returns, but it is not statistically significant (Sig. 0.638 > 0.05). The DER variable has a negative coefficient of -0.056 with a Sig. value of 0.801 > 0.05, indicating that the leverage ratio has no significant effect on stock returns. Meanwhile, EPS also has a negative coefficient of -0.040 with a Sig. value of 0.447 > 0.05, which means that an increase in earnings per share does not significantly affect the stock return of PT Bank Mandiri Tbk during the research period.

4.2 Discussions

4.2.1 Coefficient of Determination

Table 3. Coefficient of Determination

Model Summary^b

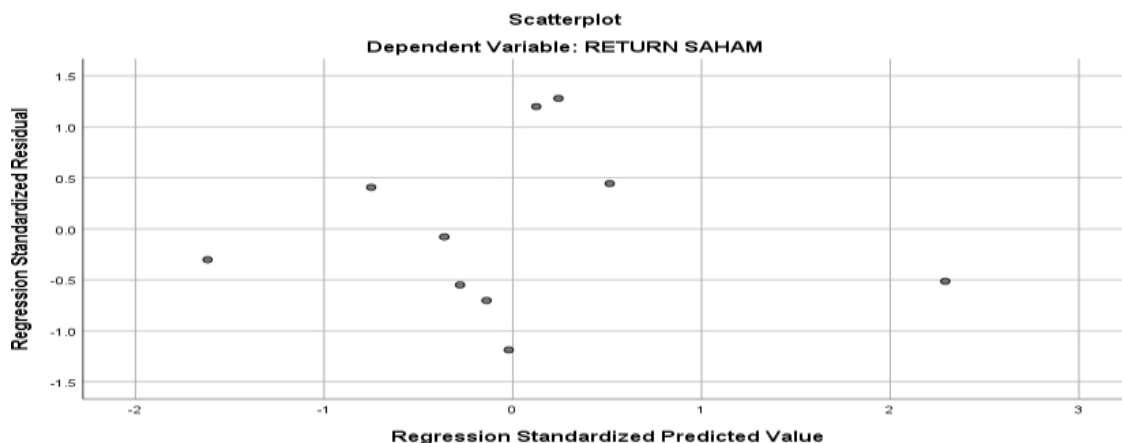
Model	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Sig. F	Durbin-Watson
				R Square Change	F Change	df1	df2	Change		
1	.490 ^a	.240	22.75141	.240	.632	3	6	.621		2.145

a. Predictors: (Constant), EPS, ROE, DER

b. Dependent Variable: RETURN SAHAM

The coefficient of determination (R^2) value of 0.240 or 24% indicates that the ROE, DER, and EPS variables can only explain 24% of the variation in the return on shares of PT Bank Mandiri Tbk, while the remaining 76% is influenced by factors outside the model. This shows that the ability of independent variables to explain changes in stock returns is still limited, and the company's stock movements are more influenced by external factors such as market conditions, economic policies, and other non-financial factors.

4.2.2 Uji Heteroskedastisitas



The heteroscedasticity test shows that the points on the scatter plot do not form a specific pattern and are scattered above and below the 0 axis, so it can be concluded that the regression model does not show heteroscedasticity.

4.2.3 T-Test

Table 4. T-Test

Model		Koefisien Tidak Standar		Koefisien Standar Beta	t	Sig.
		B	Kesalahan Standar			
1	(Konstan)	47,498	107,062		0,444	.673
	ROE	0,788	1.589	.221	0,496	0,638
	DER	-.056	.212	-.118	-.263	.801
	EPS	.000	.000	-.318	-.813	.447

The partial test results show that ROE, DER, and EPS do not have a significant effect on the return on shares of PT Bank Mandiri Tbk, with significance values of 0.638, 0.801, and 0.447 (> 0.05), respectively. This indicates that the company's fundamental factors are not yet the main determinants of stock return movements, as investors are more influenced by external factors and non-fundamental information.

4.2.4 F-Test

Table 5. F Test Result

Model		Jumlah Kuadrat	df	Rata-rata Kuadrat	F	Sig.
1	Regresi	523,969	3	174.656	0,294	0,829 ^b
	Sisa	3.563,860	6	593.977		
	Total	4087,829	9			

The results of the simultaneous significance test (F test) show that the F value of 0.294 with a significance level of $0.829 > 0.05$ indicates that the variables ROE, DER, and EPS together have no significant effect on stock returns. This means that the regression model is unable to explain the variation in PT Bank Mandiri Tbk's stock returns during the observation period. Therefore, fundamental factors such as profitability, leverage, and earnings per share are not the main determinants of stock return fluctuations, which are likely to be more influenced by external factors such as market conditions and macroeconomic dynamics.

Therefore, this study concludes that fluctuations in PT Bank Mandiri Tbk's stock returns are predominantly influenced by external factors outside the research model, while internal factors measured through financial ratios such as ROE, DER, and EPS only have a limited and insignificant partial effect on the company's stock returns.

5. Conclusions

Based on the results of the study, it can be concluded that simultaneously, the variables Return on Equity (ROE), Debt to Equity Ratio (DER), and Earnings per Share (EPS) do not have a significant effect on the return on shares of PT Bank Mandiri Tbk for the period 2015–2024. Partially, ROE has a positive relationship, while DER and EPS show a negative relationship, but all of them are insignificant because the significance value is greater than 0.05. This indicates that financial ratios as internal factors only have a limited effect on stock returns, while the movement of PT Bank Mandiri Tbk's stock returns is more influenced by external factors outside the research model.

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