

**THE INFLUENCE OF NET PROFIT MARGIN AND EARNING  
PER SHARE ON STOCK PRICES IN VARIOUS INDUSTRIAL  
SECTOR COMPANIES LISTED ON THE IDX FOR THE 2015-2019  
PERIOD**

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**Abstract**

*This research aims to evaluate the impact of Net Profit Margin and Earnings Per Share on the stock prices of IDX-listed manufacturing businesses from 2015 to 2019. The adopted technique of research is quantitative research. This research utilizes net profit margin and profits per share as independent variables. The stock price serves as the dependent variable. The sample for this research consisted of 21 manufacturing companies that were listed on the Indonesia Stock Exchange between 2015-2019 and were chosen using the technique of purposive selection based on certain criteria. The method employed in this research is an SPSS-based multiple linear regression analysis. The t test revealed that the NPM and EPS variables had a positive and statistically significant effect on stock prices. If Net Profit Margin (NPM) increases in value, so does the share price, resulting in a rise in stock prices. Therefore, it can be extrapolated that investors must enhance their ability to comprehend the information provided by the company in annual reports and financial reports. Permits investors to assess the factors that may affect the growth in a company's stock price, the level of risk, and the resulting rate of return. Before investing money, investors might make better decisions if they are well-informed.*

**Keywords:** Net Profit Margin (NPM), Earning Per Share (EPS), Share Price, Various Industrial Sector Companies

## **1. INTRODUCTION**

The rise of the capital market in the business sector has a significant impact on a nation's economy since it may be used as a barometer of economic health. The capital market is a meeting point for investors and those seeking finance. The capital market is where businesses look for external sources of financing. The diverse industrial sector is one of the sectors in which Indonesian manufacturing enterprises operate. Every subsector within the various industrial sectors produces essential consumer goods. In addition to being consumable and well-liked by the general populace, the manufactured goods in this business are also very marketable, which will contribute to the expansion of the sector (Citra et al., 2021).

During the first 9 months of 2019 the performance of the Jakarta Composite Index (JCI) was recorded to have weakened by 0.41%, which made it almost the second lowest position compared to major stock exchanges in the Asian region. JCI is only superior to the benchmark Malaysian stock exchange (KLCI) which fell by 6.31%. In early October, the JCI closed down 0,5% to 6.138,25 which made a correction for the year to 0,91%.

Shares in the various industrial sectors experienced a decline in stock prices, namely ASII shares which had fallen 2,67% to the level of Rp 8.200/share. Because investors sell ASII shares because of the increasingly tight competition in the automatic business in the country. It makes it smaller. KBLI shares experienced a decrease in share price of Rp 296, which means the KBLI has decreased by 31%, which is caused by the delay in achieving the 35 GW electricity development target, the circulation of imported cables and so on. INDS shares fell by Rp 169 per share. SRIL's shares have fallen by Rp358/share. HDTX shares with a decrease of 71% from the initial position of Rp444/share to Rp126/share. GDYR shares experienced a 19,33% decline in share price to the level of Rp. 1,920 per share. UNIT's shares fell 18,06% and closed at Rp 254/share.

The stock price is a measure of the company's performance success. The higher the stock price, the more investors want to invest in high stock prices and the greater the demand for shares. In contrast, a falling stock price implies that the firm is not functioning well, prompting investors to sell their shares, resulting in a greater supply of shares than demand. The Net Profit Margin is the proportion of net profit to sales. This metric represents the amount of business efficiency, or the company's ability to cut operational expenses. Earnings Per Share (EPS) is crucial factor that must be included in a company's research. EPS is a measure of a company's net profit that is available for distribution to shareholders or dividends. Consequently, potential shareholders are interested in a high Earnings Per Share, as this is an indication of the success of the firm. Investors may thus use a firm's EPS growth rate as a guide when deciding whether to invest in the company.

If a company's stock price is high, the company's value is likewise high, and vice versa. Therefore, the stock price is crucial for the acquisition of a firm, since it reflects the company's value. The bigger the NPM value, the better the company's potential to generate net revenue and pay non-operational expenditures and income taxes. According to prior study by Watung & Ilat (2016), NPM has a substantial beneficial influence on stock prices. This indicates that if a firm has the capacity to create net income, investors are more likely to be interested in investing in it, which can have an effect on the stock price. Generally speaking, information about Earnings Per Share (EPS) is the most fundamental and useful information for shareholders when considering the decision to purchase a share, as it can serve as an indicator of the company's future earnings prospects, as EPS demonstrates the level of profitability investors receive per share.

The purpose of this research is to investigate the influence of Net Profit Margin and Earnings Per Share on the stock values of manufacturing firms listed on the Indonesia Stock Exchange (IDX) between 2015 and 2019 based on the background outlined before.

## **2. LITERATURE REVIEW**

### **2.1. Financial statements**

Based on Kasmir (2017) defines as follows: A report that depicts the current or future financial situation of the firm. According to Fahmi (2012), financial statements are information that represents the situation of a firm, which then becomes information that describes a company's performance.

### **2.2. Financial Ratio Analysis**

According to Barus et al. (2017) defines that financial ratios are figures derived from relevant and significant comparisons between financial statement postings and other

relevant and significant posts. Comparisons can be made between financial statement items and other items in the financial statements. According to Kasmir (2017) defines that Financial ratios are actions that divide one number by another to compare the figures in the financial statements. According to Fahmi (2012) defines that financial ratios are the results obtained from the comparison of the amount of one amount with another amount.

### **2.3. Net Profit Margin (NPM)**

According to Kasmir (2017), the Net Profit Margin, commonly called as the net profit margin, is the ratio of a company's net income after interest and taxes to its sales. The Net Profit Margin, based on Ryan (2016:11) in Isworo (2018), is the ratio of net profit to revenue. The greater the NPM, the more productive the firm's performance will be, hence increasing investor confidence in the business.

Net profit margin (Net Profit Margin) is the company's measure of sales after considering all expenses and income taxes. Profit margin is an indicator of a company's price revenue strategy and how well it controls costs. According to Dewi & Hidayat (2019) Net Profit Margin, often known as net profit margin, is the ratio of income to sales. This ratio is calculated by comparing net income after taxes to net sales. The following formula is used to determine the Net Profit Margin:

$$NPM = \frac{EAT}{Sales}$$

### **2.4. Earning Per Share**

Earning Per Share (EPS) is an indicator that shows the company's ability to provide returns on each share of common stock. Giving common stock generally pays more attention to earnings per share than dividends earned. Usually earnings per share can affect stock prices on the stock exchange (Rahardjo, 2009: 150 in (Jusman & Puspitasari, 2020)). The Earning Per Share formula is calculated by the formula:

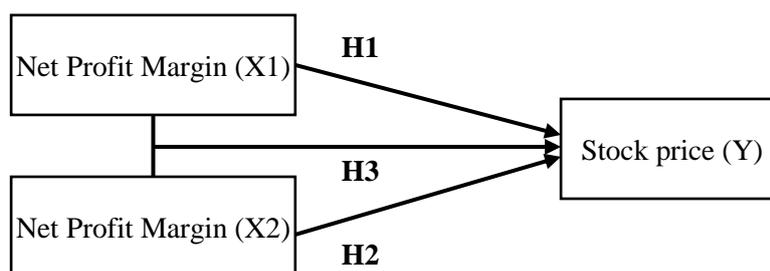
$$NPM = \frac{EAT}{Number\ of\ shares\ outstanding}$$

### **2.5. Share**

According to Hadi (2015: 117) in Julianti (2018) Shares are one of the most popular financial commodities traded in the capital market.. Paper clearly listed nominal, company name and followed by rights and obligations explained to each holder (Fahmi, 2012).

### **2.6. Stock price**

According to Anoraga (2006: 100) in Siampa et al. (2020) the current value of future cash flows received by shareholders is reflected in stock prices. The share price is the amount of money required to acquire participation or ownership in a firm. The conceptual framework of the created research can be defined as follows :



**Figure 1. Research Framework**

### 3. RESEARCH METHODS

The Multi-Industrial Sector firms from 2015-2019, which totaled up to 45 different businesses, were the population that was monitored and examined for this study. In this study, the technique of Purposive Sampling was used to collect the sample needed for analysis. There was a total of nine different businesses represented in the samples that were examined, all of which met the criteria that had been established. The selection of samples is based on the following criteria:

**Table 1. Sampling Criteria**

No	Information	Cons	Meet the criteria
1	Various Industry Sector Companies listed on the Indonesia Stock Exchange (IDX) for the period 2015-2019		45
2	Various Industry Sector Companies that are not suspended and are actively traded in the 2015-2019 period	(6)	39
3	Various Industry Sector Companies that use the rupiah currency for the 2015-2019 period.	(14)	25
4	Various Industry Sector Companies that did not experience losses for the 2015-2019 period.	(7)	18
5	Multi-industry Sector Companies that experienced a decline in Share Prices for 2 years or more for the 2015-2019 period	(9)	9
<b>Number of companies that meet the criteria</b>			<b>9</b>
<b>The total number of observations used in the study is the number of companies 9 x 5 (2015-2019 period)</b>			<b>45</b>

Source: Financial Report from [www.idx.co.id](http://www.idx.co.id)

According to the table, the sample utilized in the study is a corporation, and the research period spans five consecutive years. Hence, 5 years x 9 samples = 45 samples were picked since they satisfied all of the analysis's predetermined criteria. The samples are mentioned in the table below:

**Table 2. Sample Companies**

No	Company Code	Company name
1	ASII	Astra International Tbk
2	AUTO	Astra Otoparts Tbk
3	BOLT	Garuda Metalindo Tbk
4	INDS	Indospring Tbk
5	TRIS	Trisula International Tbk
6	UNIT	Nusantara Into Corpora Tbk
7	KBLI	KMI Wire & Cable Tbk
8	KBLM	Kabelindo Murni Tbk
9	BATA	Sepatu Bata Tbk

Multiple linear regression is employed to predict how the dependent variable will change as the value of the independent variable varies. The objective of this T test was to determine how each independent variable affected the dependent variable. This F test was performed to ascertain the impact of all independent variables on the dependent variable.

#### 4. RESULTS AND DISCUSSION

The coefficient of determination test is presented in table 3 below:

**Table 3. Coefficient of Determination Test Results**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.611 <sup>a</sup>	.373	.343	.95236

a. Predictors: (Constant), EPS, NPM

b. Dependent Variable: LN\_HS

Source: Processed secondary data 2022, SPSS output 24

According to Table 3 Model Summary, the adjusted R-square value is 0.343, indicating that Net Profit Margin (NPM) and Earnings Per Share (EPS) may explain 34.3% of the stock price, with the remaining 65.7% explained by variables beyond the scope of the research model. If the number of degrees of freedom (df) is larger than 20 and the significance threshold is 5%, the Ho assumption, which asserts that  $b_1=0$ , is rejected, and others adopt the alternative assumption, which claims that an independent variable impacts the dependent variable separately. This is done so that the t test may be performed. Table 4 bellow summarizes the results of the t-test.

**Table 4. T-Test Results**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6,269	,285		22,035	,000
	NPM	12,591	4,049	,398	3,110	,003
	EPS	-,002	,001	-,381	-2,977	,005

a. Dependent Variable: LN\_HS

Source: Processed secondary data 2022, SPSS output 24

Based on the t-test obtained, it can be analyzed as follows:

- 1) According to the table above, the outcomes of testing the NPM hypothesis on stock prices are 3.110 by displaying the value of sig. 0,003, where the value of sig. achieved is less than the level of sig. 0,05
- 2) Based on the table above, it can be seen that the results of testing the EPS hypothesis on the stock price are by showing the value of sig. 0,05, where the value of sig. obtained meets the level of sig. 0,05.

Simultaneous test results (F test) can be seen in table 5 below:

**Table 5. F-Test Results**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18,943	2	9,472	9,505	,000 <sup>b</sup>
	Residual	41,851	42	,996		
	Total	60,794	44			

a. Dependent Variable: LN\_HS

b. Predictors: (Constant), EPS, NPM

Source: Processed secondary data 2022, SPSS output 24

Based on table 5, Net Profit Margin (X1) and Earnings Per Share (X2) values of 9.505 with significance of 0.000. sig value. obtained is still less than the significance level of sig. 0,05, implying that Net Profit Margin (X1) and Earnings Per Share (X2) have a positive and significant effect on stock prices at the same time (Y). Accepting the premise that the regression model may be used to anticipate the independent variable (H3 is accepted). The following is an explanation of the data analysis results:

**1) The Influence of Net Profit Margin (NPM) on Stock Prices**

According to statistical testing, the variable Net profit margin (X1) has a positive and statistically significant effect on stock prices (Y). These data demonstrate that the company's profits are greater the higher the Net Profit Margin is. A high net profit margin ratio of a firm will boost the stock price, hence increasing the company's profit. The results of the study are consistent with research conducted by Lisnawati & Amirullah (2022) which states that Net Profit Margin has an influence on stock prices. The research is consistent with the previous researchers studied by Umdiana & Jenisya (2016) with the results that Net Profit Margin has a positive and significant effect on stock prices.

**2) The Influence of Earning Per Share (EPS) on Stock Prices**

According to the findings of the tests, earnings per share (X2) has a constructive influence on stock prices that is supported by statistical evidence (Y). The earnings per share (EPS) metric is used to measure a company's profitability; this metric is included on each share sheet. EPS has a positive impact; hence, the greater the interest of investors to invest, the greater the profit made by shareholders, and the higher the amount of dividends that are distributed. The results of the study are consistent with research conducted by Suryana & Widjaja (2019) which states that Earning Per Share has a positive influence on stock prices. However, the research is consistent with previous researchers studied by Egam et al. (2017) which discover similar result.

**3) The Influence of Net Profit Margin and Earning Per Share on stock prices**

During the period 2015-2019, a multiple linear regression investigation demonstrates that Net Profit Margin (X1) and Earnings Per Share (X2) have a positive and statistically significant influence on the stock price (Y) of Various Industry businesses listed on the IDX. The stock price variable (Y) is influenced simultaneously by Net Profit Margin (X1) and Debt to Equity Ratio (X2), with an adjusted R-squared value of 0.343 or 34.3%, while the remaining 65.7% is explained by additional variables not addressed in the research.

These finding is similar with Suryana & Widjaja (2019), the variables CR (X1), DER (X2), NPM (X3), and EPS (X4) simultaneously have a significant influence on the stock price variable (Y) of construction and building companies for the period 2013-2017.

## **5. CONCLUSION**

### **5.1. Conclusion**

This research was done using up to 45 sample data to evaluate the effect of Net Profit Margin (X1) and Earnings Per Share (X2) on stock prices (Y) for companies listed on the IDX in the food and beverage consumer goods subsector between 2016-2020. Based on the findings, the conclusions can be determined as follows:

- 1) Partially, Net Profit Margin (X1) has a positive impact, which indicates that when NPM rises, share prices rise as well, and share prices rise considerably (Y) in the Various Industry Sector Listed on the 2015-2019 IDX Period.
- 2) Earnings Per Share (X2) has a positive influence, which suggests that if EPS rises, so will share prices (Y) in the Various Industry Sectors Listed on the 2015-2019 IDX Period.
- 3) Net Profit Margin (X1) and Earnings Per Share (X2) have a favorable and significant influence on stock prices (Y) in the Various Industry Sectors Listed on the IDX from 2015 to 2019.

## **5.2. Implications**

According to the findings and conclusions, the Net Profit Margin (NPM) and Earnings Per Share (EPS) variables simulatenously have a major influence on the stock prices of different industrial sector enterprises listed on the Indonesia Stock Exchange (IDX) from 2015 to 2019. After corrections, the coefficient of determination (R Square) obtains a value of 34.3%. This implies that the independent variables, namely Earnings Per Share (EPS) and Net Profit Margin, may define the stock price variable (NPM). However, the remaining 65.7% of the variation may be explained by characteristics or variables beyond the study model.

In the event that the Net Profit Margin (NPM) increases in value, the share price will also improve, which will be followed by a rise in stock prices. On the other hand, if the Net Profit Margin (NPM) decreases, the stock price will also decrease. This is due to the fact that the ratio known as the Net Profit Margin is used to determine how effectively a business is able to turn its revenue into a profit. If a company's overall revenue is down but its net income is on the increase, this may be seen as an indication that the company's performance is such that it can generate a high net income with a relatively little amount of capital investment. As a result, it is expected that the business maximize both its income and its profit.

If the Earnings Per Share (EPS) for a company is high, it indicates that the company is in a position to provide its shareholders with a higher quality of life. The higher the earnings per share (EPS) of a stock, the higher its price will be. The ratio of a company's earnings after taxes to the number of shares it has outstanding is the EPS.

It is hoped that shareholders have a deeper comprehension of the information presented in annual reports and financial statements. Provides the opportunity for investors to investigate the factors that can affect the rise in the stock price of a company, the amount of risk, and the rate of return that is therefore generated. If an investor has a comprehensive awareness of their options before investing cash, they will be able to make better choices.

## **5.3. Limitations and Suggestions**

### **5.3.1. Limitations**

This research has limitations and requires development for further research. Limitations in the study are as follows:

- 1) The companies studied were only limited to the various industrial sectors listed on the IDX for the 2015-2019 period.
- 2) The research variables used are only Net Profit Margin and Earning Per Share and stock prices

### **5.3.2. Suggestion**

Based on the limitations of the research above, suggestions that can be given about stock prices are as follows:

- 1) Future research is expected to expand various research topics, such as the mining sub-sector, so that they can see how to analyze company stock prices with a wider scope.
- 2) Further research should add other independent variables such as TATO, PER, PBV and others to determine the influence of other factors that affect stock prices.



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