The Effect of Capital Structure, Profitability, Company Age and Company Size on *Earnings per Share* in Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2019-2021 Period

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Abstract: This study aims to empirically examine the effect of capital structure, Profitability, company age, and company size on earnings per share in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. This type of quantitative research uses secondary data from the company's financial statements, which we can obtain from the IDX or the company's website, respectively, with data collection techniques using the purposive sampling method and obtaining 188 samples as research material. The dependent variable in this study is earnings per share, while the independent variables are capital structure, Profitability, firm age and firm size. The analysis used is multiple linear regression. The results of this study indicate that the capital structure variable does not affect earnings per share in manufacturing companies. In contrast, the variables of Profitability, company age, and company size affect earnings per share in manufacturing companies.

Keywords: capital structure, profitability, age, size, earnings per share.

1. Introduction

In the current era of globalization, new companies have been established for a long time, and the business world is progressing rapidly. It is because many companies operating in various fields are experiencing good development. In maximizing the company's performance, the company will also take multiple ways. It will take advantage of the various opportunities to make its business get maximum profits and minimize losses. It is done so that the company can continue to survive and continue to be able to compete with other companies.

In the current era of globalization, the manufacturing industry is an industry that dominates companies listed on the Indonesia Stock Exchange (IDX). The manufacturing industry has experienced ups and downs, which have made the development of the manufacturing industry require significant funds, this has caused manufacturing industries to seek sources of funds by carrying out their company's operational activities. People can meet the need for these funds by going public or selling shares to the publicthrough the capital market.

Small and large companies have the main goal in carrying out their business activities, namely to maximize and increase profits for the company and the owners of capital. The company's profit is reflected in the company's net profit. In contrast, the gain of the owner of the company's money is reflected in the profit for ordinary shareholders or often referred to as *Earning Per Share* (EPS). *Earning Per Share* (EPS) in investing is the leading indicator of a stock's attractiveness. The amount of *Earning Per Share* (EPS) is expected to influence investor confidence in investing.*Earning Per Share* (EPS) shows how much the company's ability to provide returns to capital owners. Companies that carry out their business activities properly and optimally will encourage profit growth to be obtained by the company.

Capital owners also always encourage company leaders to create excellent and maximum company performance, specifically related to the capital structure, namely the utilization of company capital or assets. This situation is inseparable because companies carrying out operational activities need funds. Companies usually get funding from internal and external sources to meet funding needs.Capital structure is essential for companies because good and bad capital structures will directly affect the company's financial position. Management must be wise in making capital structure decisions. Mistakes in determining the capital structure will have a broad impact, especially if the company is too large in using debt. The burden that the company must bear is even more significant. The optimal capital structure is the capital structure that can minimize the cost of capital.

When a company has just been established, information about it is rarely widely circulated. It is difficult for the public to know, especially investors, compared to companies founded for a long time. Information that is difficult for investors to obtain will increase company uncertainty. This issue makes the company's age influence investors' trust level. Companies that have been established for a long time show stability so that investors can review the company's performance from year to year, whether it has increased or not. At the same

time, new companies have less experience and are often unstable. In addition, new companies will have access to external funding that is more limited than companies that have been established for a long time because, in general, new companies need to publish more of their company reports.

Company size is also a consideration factor for shareholders and prospective shareholders. Company size represents the company's total wealth, interpreted as asset ownership. Companies with many well-managed assets will encourage the amount of company income obtained in a certain period. The company size factor, which shows the company's size, is essential in forming profits. Therefore companies with significant asset ownership will be able to create the maximum possible profit and will impact increasing earnings per share.

2. Literature Review and Hypothesis

Earning Per Share

Earning per share (EPS) is the number most often used regarding the performance of companies that sell their shares to the public. It means that earnings per share are often seen as a number that provides a summary of various accounting data, this is because earnings per share contain vital information to make predictions about the number of dividends and the level of stock prices in the future. In PSAK No. 56 paragraph 09, "Earnings per share is the amount of profit in a period available for each ordinary share outstanding during the reporting period, and other securities assumed to be issued for all dilutive potential common shares outstanding during the reporting period. Darmadji & Fakhruddin (2016) explained that *Earning Per Share* (EPS) is a type of financial ratio where this ratio shows the profit share for each outstanding share. The greater the company's assets (company size), the greater the possibility of increasing Profitability and the value of the company's *earnings per share*. EPS describes the company's Profitability which is reflected in each claim on the market. The higher the EPS value, of course, makes the shareholders happy because the more significant the profit provided to the shareholders and the possibility of increasing the number of dividends received by the shareholders will also increase.

Capital market

The capital market has its function, namely as an intermediary institution. This function shows the critical role of the capital market in supporting the economy because the capital market can connect parties who need funds with those who have excess funds. In addition, the capital market can encourage the creation of an efficient allocation of funds. Investors can choose investment alternatives that provide the most optimal returns with a capital market.

Capital Structure

The capital structure is part of the financial structure. The economic system is a combination or mix of all items on the right side of the company's balance sheet. Determining a company's capital structure is a necessary form of financial decision because this decision can affect the achievement of the company's financial management objectives. The capital structure is a comparison or combination of funding sources from long-term debt and own capital expressed in units of money and reflected in the balance sheet. Harahap (2018) explains that several ratios show the company's capital structure composition based on comparing debt to equity and ratios. One of them is *the Debt to Equity Ratio* (DER), which is a ratio that shows the relationship between the number of long-term loans provided by creditors and the amount of own capital provided by company owners.
H1: Capital structure affects earnings per share in manufacturing companies.

Profitability

In carrying out its business activities, every company will try to generate optimal profit or *profit.* The size of a company *Profitability* can be seen from several subjects, such as operating profit, net profit, rate of return on investment or assets, and rate of return on owner's equity. The *profitability* ratio shows the company's success in generating profits. *Profitability* is a company's ability to generate profits. One of the ratios used to measure *Profitability* is the ratio of *return on equity (ROE).* According to Kasmir (2016), *return on equity (ROE)* is the ratio used to measure net profit after tax with own capital.
H2: Profitability affects earnings per share in manufacturing companies.

Company Age

The company is established for an unlimited period. The age of the company shows how long the company has survived in business competition. The older the company, the more information the public has about the company. According to Poerwadar Minta (2003), the company's age is a "Long time of life, or there is an organization or form of business that is engaged in business and has the goal of gaining profit or profit". Companies that have been established for a long time usually generate high profits and will affect the company's

Profitability to increase the company's *earnings per share*.
H3: Firm age affects earnings per share in manufacturing companies.

Company Size
According to Ibrahim (2008), company size is a scale for classifying the company's size in various ways, including total assets, total sales, the market value of shares, and others. Sugiarto (2016) explains that company size is the size of a company based on its market capitalization, which can be seen from the total assets owned by the company. The greater the company's assets (company size), the greater the possibility of increasing Profitability and the value of the company's *earnings per share*. We can also evaluate the size of a company from market capitalization, number of employees, and other variables. The company size factor shows that the company's size is essential in forming profits.
H4: Company size affects earnings per share in manufacturing companies.

3. Methodology

Population And Sample
The objects in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX), which have published financial reports consecutively from 2019-2021. Based on the sample criteria determined in this study, a research sample of 85 companies is obtained for each year. So that the total model used is 255 and is outliers using a residual value, namely by filtering the *unstandardized results* from smallest to largest and then outliers the extreme data. There are 67 data outliers, so a sample that meets the criteria is 188.

Table 1: Sample Selection Results with the *purposive sampling method*

No.	Criteria	Amount
1.	Manufacturing Companies Listed on the Indonesia Stock Exchange During the 2019-2021 Period	193
2.	Manufacturing Companies That Did Not Publish Financial Statements for 3 Consecutive Years During the 2019-2021 Period	(22)
3.	Manufacturing Companies Experiencing Losses During the 2019-2021 Period	(75)
4.	Manufacturing Companies That Do Not Publish Financial Statements in Rupiah (IDR)	(11)
	Number of Companies that Meet the criteria	85
	Total Units of Analysis for three years (85x3)	255
	Outliers	(67)
	Total Unit of Analysis For three years, processed	188

This study uses the measurement of each variable as follows:

Table 2: Measurement of Variable

Variable	Indicator
Capital Structure (DER)	$DER = \dfrac{Total\ Liabilitas}{Total\ Equity}$
Profitability (ROE)	$ROE = \dfrac{Net\ Profit\ After\ Tax}{Total\ Ekuitas} \times 100\ \%$
Age	$Age = current\ year - since\ year$
Size	$size = (Ln)Total\ Aset$

Data analysis technique
In this study, the hypothesis testing using multiple regression analysis. This analysis is a regression model that involves more than one independent variable. This analysis tests how much influence the independent variables have on the dependent variable. The feasibility of this regression model is determined from the results of the model feasibility test (Test F) and the coefficient of determination (Test R^2). The regression equation in this study is as follows.

EPS = 317,725 + 12,001DER + 81,329ROE + 0,752Age + 12,935Size + e

4. Results and Discussion

Descriptive Statistical Analysis

Table 3: Results of Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Means	std. Dev
Capital Structure	188	0,07	4,95	0,8615	0,81799
Profitability	188	0,02	1,45	0,1626	0,19267
Age	188	7,00	116,00	41,5053	18,41689
Size	188	25,76	33,45	28,6336	1,46173
EPS	188	0,03	399,00	86,7378	87,01580
Valid N (listwise)	188				

Based on the results of the descriptive statistical analysis, it can be concluded that:

The Capital Structure proxied by *the Debt to Equity Ratio* (DER) of 188 units of analysis has a minimum value of 0,07 and a maximum value of 4,95. The standard deviation value is 0,81799, and the average value of the capital structure proxied by *the Debt to Equity Ratio* (DER) is 0,8615. Hence, the average value of the capital structure is 86,15%.

Profitability proxied by *return on equity* (ROE) of 188 units of analysis has a minimum value of 0,02 and a maximum value of 1,45. The standard deviation value is 0,19267, and the average *Profitability value* proxied by *return on equity* (ROE) is 0,1626, so the average *Profitability value* is 16,26%.

The firm age of 188 units of analysis has a minimum value of 7,00 and a maximum value of 116,00. The standard deviation value is 18,41689, and the average age of the company is 41,5053.

Company size proxied by Ln total assets from 188 units of analysis has a minimum value of 25,76 and a maximum value of 33,45. The standard deviation value is 1,46173, and the average value of Company Size is 28,6336.

EPS (*Earning Per Share*) of 188 units of analysis has a minimum value of 0,03 and a maximum value of 399,00. The standard deviation value is 87,01580, and the average EPS (*Earning Per Share*) value is 86,7378.

Discussion

Testing the multiple linear regression model requires testing the classical assumptions first. The classic assumption test consists of 4 tests: the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

Normality test

Testing for normality in this study uses the CLT test (Central Limit Theorem)In this study, the number of n is 188, which is greater than 30. This result shows that the data in this study are normally distributed.

Table 4: Multicollinearity Test

Variable	tolerance	VIF	Description
Capital Structure	0,953	1,049	There is no Multicollinearity
Profitability	0,918	1,089	There is no Multicollinearity
Company Age	0,763	1,311	There is no Multicollinearity
Company Size	0,789	1,267	There is no Multicollinearity

The test results above show that all independent variables have a *tolerance value* of more than 0,10 and a VIF value of less than 10. We can conclude that the regression model is free from multicollinearity symptoms.

Table 5: Autocorrelation Test

Du	Durbin-Watson	4-Du	Description
1,793	2,024	2,206	There is no Autocorrelation

From the test results above, the DW (*durbin 72atson*) value is 2,024. In this study, there were four independent variables while the total sample size was 188, DU < DW < (4-DU) : 1,793 < 2,024 < 2,206, so the data did not show autocorrelation symptoms.

Table 6: Heteroscedastisity test

Variable			Description
Capital Structure	Sig. (2-tailed)	0,206	There is no Heteroscedasticity
Profitability	Sig. (2-tailed)	0,088	There is no Heteroscedasticity
Company Age	Sig. (2-tailed)	0,818	There is no Heteroscedasticity
Company Size	Sig. (2-tailed)	0,489	There is no Heteroscedasticity

Based on the test results above shows that all independent variables have a Sig value. (2-tailed) > 0,05, so we can conclude that the regression model is free from symptoms of heteroscedasticity.

Hypothesis test
In this study, hypothesis testing was carried out using multiple linear regression analysis models. The following is a table of multiple linear regression analysis results:

Table 7: Multiple Linier Regression Analysis Test Result

Variable	Sig.	Description
Capital Structure (DER)	0,107	H1 Rejected
Profitability (ROE)	0,012	H2 Accepted
Company Age	0,043	H3 Accepted
Company Size	0,005	H4 Accepted

The results of testing the hypothesis of the capital structure variable have a significance value of 0,107, more than 0,05 (0,107 > 0,05). This result shows that **(H1) is rejected** so that there is no influence from the capital structure proxied by *the Debt to Equity Ratio (DER)* on *Earnings per share (EPS)* in manufacturing companies listed on the IDX for the 2019-2021 period. It is because *the debt to equity ratio (DER)* shows that obligation to the company arises. After all, only some of the company's needs can be met by the company's capital, and the company needs to look for additional money or loans.

The results of testing the Profitability variable hypothesis have a significance value of 0,012, less than 0,05 (0,012 < 0,05). This result shows that **(H2) is accepted** so that evidence is found that there is an influence from *Profitability* proxied by *Return on Equity (ROE)* on *Earning per share (EPS)* in manufacturing companies listed on the IDX for the 2019-2021 period. *E earnings per share* are obtained by dividing the company's net profit over the outstanding shares. It shows that *Profitability* influences the company's *earnings per share*.

The results of testing the hypothesis of the firm age variable have a significance value of 0,043, less than 0,05 (0,043 < 0,05). This result shows that **(H3) is accepted** so that there is evidence of an effect of company age on *earnings per share (EPS)* in manufacturing companies listed on the IDX for the 2019-2021 period. It is because companies that have been around for a long time usually generate high profits and will affect Profitability. The greater the Profitability generated by the company, the greater the company's gain so that the company's *earnings per share* will also increase.

The results of testing the hypothesis of the firm size variable have a significance value of 0,005, less than 0,05 (0,005 < 0,05). This result shows that **(H4) is accepted** so that there is evidence of an influence from company size on *earnings per share (EPS)* in manufacturing companies listed on the IDX for the 2019-2021 period. This issue is because the company's size can be seen from the total assets owned by the company. The greater the company's support (company size), the greater the possibility of increasing Profitability and the value of the company's *earnings per share*. The more significant the company's size, the greater its assets we can use to generate profits, increasing the *earnings per share ratio.*

5. Conclusion
This study aims to empirically examine the effect of Capital Structure, *Profitability*, Company Age and Company Size on *Earning Per Share (EPS)* in Manufacturing Companies listed on the Indonesia Stock Exchange for the 2019-2021 period. Based on the test results and discussion, the capital structure does not affect earnings per share in Manufacturing Companies listed on the Indonesia Stock Exchange for 2019-2021. Whereas *Profitability*, Company Age and Company Size affect *Earning Per Share (EPS)* in Manufacturing Companies listed on the Indonesia Stock Exchange for 2019-2021.

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