# EFFECTS OF NET PROFIT MARGIN, CURRENT RATIO AND DIVIDEND PAYOUT RATIO ON PRICE EARNING RATIO AND PRICE BOOK VALUE
## (A Study on Consumer Goods Companies Listed in Indonesia Stock Exchange for the Period (2011-2013)

Siti Aisyah, Ahmad Rodoni
Magister of Management Esa Unggul University
North Arjuna Street No.9 Kebon Jeruk, Jakarta
email: iis_aisyah288@ymail.com

**Abstract**

*Investing in stocks is a high risk investment, in which investors can gain big profit and vice versa can suffer losses not small. Therefore, investors are required to be cautious in decision-making. This study aimed to analyze the effects of Net Profit Margin, Current Ratio and Dividend Payout Ratio, on Price Earning Ratio and Price Book Value. It was investigated which independent variables having the most dominant effects on consumer goods companies listed in Indonesia Stock Exchange for the period 2011-2013. The samples used in this study were 16 companies listed in the Indonesia Stock Exchange and the Indonesian Capital Market Directory (ICMD) for the period 2011-2013. This research used purposive sampling. The analytical method used in this study was multiple linear regression analysis. From the test result of independent variables on price earning ratio, it is found that current ratio and net profit margin have no significant negative effect, meaning that the hypothesis is rejected, while dividend payout ratio has significant effect on price earning ratio, meaning that the hypothesis is accepted. From the test results of independent variables on price book value, it is found that net profit margin and dividend payout ratio have significant positive effect on price book value, meaning that the hypothesis is accepted, while current ratio has no significant effect, meaning that the hypothesis is rejected. From the test results of variables collectively from the first model and the second model, it is found that net profit margin, current ratio, and dividend payout ratio have significant positive effect on price earning ratio and price book value. The most dominant variable is net profit margin that has effect on price book value.*

*Keywords: Net Profit Margin, Current Ratio, Dividend Payout Ratio, Price Earning Ratio and Price Book Value*

**Introduction**

Capital markets have an important role for the economy of a country because the stock market performs two functions: first as a means of funding for business or as a means for companies to obtain funds from investors. The funds got from the capital market can be used for business development, expansion, increase in working capital and others. Second, the capital markets is as a means for people to invest in financial instruments such as stocks, bonds, mutual funds, and others. Thus, people can put their own funds in accordance with the characteristics of the benefits and risks of each instrument.

Investing in stocks is a high risk investment, in which investors can gain big profit and vice versa can suffer losses not small. Therefore, investors are required to be cautious in making investment decisions and always first analyze the shares that will be bought. Investors also need the relevant information about company's share price because the share price reflects the performance of company selling these shares.

The share price sold at stock exchange is highly dependent on the strength of supply and demand. The strength of supply and demand in share purchase cause the share price can go up or down. If the demand for share increases, the share price will go up, and if the demand for share decreases or excesses supply, the share price will go down. Therefore, when making share investment, share investors will choose which company that will provide high returns. Therefore, investors should be able to analyze whether the share price is worthy enough to purchase by comparing the share price to earnings per share called as Price Earning Ratio (PER).

The Price Earning Ratio of consumer goods industry companies is very fluctuated. This was one result of economic instability in previous years, which is until now still perceived by many companies. Price Earning Ratio is one approach frequently used by securities analysts to evaluate a share. This ratio provides an indication to management about how the views of investors on the risks and prospects of the company in the future by looking at the problems to assess the fairness of the share price. Price earning ratio facilitates decision making to invest in shares. Therefore, it provides impacts on share trading activity in the Indonesia Stock Exchange; Second, the company high value will be followed by high prosperity of shareholders, which becomes the indicator of market trust on the company's growth prospect, so that many capital market participants pay attention to the PER approach; Third, price earning ratio is used in the analysis of share price because PER will facilitate and assist analysts and investors in the share assessment, in addition, PER can also help analysts to improve judgment because the share price at this time is a reflection of the company's prospects in the future.

Assessment of each manufacturing industry of consumer goods is performed by looking at the comparison of performance of company listed at the stock exchange that is going public. The main objective of go public companies is to increase the shareholders prosperity through increased company value (Salvatore, 2005). The company value is very important because the high company value will be followed by shareholders high prosperity (Bringham and Gapensi, 2006). The higher the share price, the higher company value is. The company high value becomes the desire of the company owners, because the high value shows the high prosperity of the shareholders. The wealth of shareholder and company is represented by the market price of the shares constituting a reflection of the investment decision, financing, and asset management.

**Literature Review**

This part discusses the definition of variables used in the study. This study used two (2) variables, namely independent variable and dependent variable. The independent variables consisted of net profit margin, current ratio, dividend payout ratio while the dependent variable was price earning ratio and price-book value.

**Net Profit Margin (NPM)**

According Weygandt, Kieso, and Kimmel (2008), Profit Margin is percentage measurement of every sale values that generate net profit. It is calculated by dividing net income by net sales.

Of the research results (Fegriadi, 2012), if the ratio of net profit margin of a company is big, it shows that the company is performing well, as it can generate net income largely through its sales activities, so it is used by investor in making a decision whether to buy the issuer's shares, because increased net profit affects the investor interest to invest in the company, which in turn will cause the company's share price increases.

**Current Ratio (CR)**

According to Weston (1985), current ratio is used to measure short-term settlement, the extent to which short-term creditors bills can be met by the assets expected to be converted into cash within the time approximately the same as the maturity of the bill. Too high Current Ratio indicates excess cash or other current assets compared with what is needed now. Virgani (2012), Halim (2005). If current ratio is said to be liquid, it means the company is rated good and can lead to the company's future profits. It is because stock prices reflect the capabilities of company's profit that may result in an increase of the price earning ratio value.

**Dividend Payout Ratio (DPR)**

It is an annual cash dividend divided by annual earnings or dividend per share divided by earnings per share. The ratio indicates the percentage of the company's profit paid to shareholders in cash (Horne and Wachowicz, 2007).

Gatwald (2012) and Hariyanti (2012) state that the higher the DPR value, the better the company's future prospects because the company dividend payments increases that eventually the stock market value also increases. Thus, it will attract investors to buy company shares that will lead to increased demand for the shares so that the price per share increases as well, and vice versa. Therefore, DPR affects the share price ultimately can also affect the price earning ratio. This variable is declared in the ratio of dividend per share with year-end earnings per share. Dividend Payout Ratio is a proxy for measuring the company's policy to pay dividends (payout) on the company value (Brigham and Houston 2009 in Ulya, 2014).

**Price Earning Ratio (PER)**

Gitman (2009), describes price earning ratio as the price earnings ratio used to assess the assessment owner of the shares value. Price earnings ratio measures the amount investors willing to pay for each dollar of company revenue. This ratio indicates that the trust level of investors have the company's performance in the future. The higher the price earnings ratio, the bigger the investors trust is.

**Price Book Value (PBV)**

Book value per share can be calculated by dividing total equity by the number of shares issued or outstanding shares. Book value per share is the result of the accounting which reflects the historical cost of shares. Therefore, it can be seen that market to book ratio compares a company's stock market value with the costs. Values less than one can mean that in general the company does not manage to create value for shareholders (Ross, Westerfield, Jaffe and Jordan, 2008).

According to Fama (1978) in Wahyudi and Pawestri (2006), the company's value will be reflected in its stock price. The market price of company shares formed between buyer and seller at the time of the transaction is called company market value, because the stock market price is considered as a reflection of the true value of the company's assets. The company value formed through the indicator of stock market value is strongly influenced by investment opportunities. The existence of investment opportunities can give a positive signal about the company's growth in the future, so as to increase the company's value.

**Hypothesis Development**

According Weygandt, Kieso, and Kimmel (2008), Profit Margin is a percentage measurement of any sales generating net profit. It is calculated by dividing net income by net sales. If the ratio of company net profit margin is big, it shows that the company is performing well, as it can generate net income largely through its sales activities, so it is used by investor in making a decision whether to buy the issuer's shares, because the increased net profit effects the investor interest to invest funds in the company, which in turn will cause increased stock price of the company (Fegriadi, 2012).

From the research conducted by Rahmat and Sri (2012), sale growth variable has significant effect on PER (Price Earning Ratio), Net Profit Margin (NPM) and Variance of Earnings Growth (VEG) partially has no effect on Price Earning Ratio (PER). Collectively, Net Profit Margin (NPM) affects Price. Meanwhile, according to Zamzami (2008), variables of Return On Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM) have positive effect on Price Earning Ratio. Thus, it will attract investors to buy company shares that will lead to increased demand. Therefore, NPM affects price per share which ultimately can also affect the Price Earning Ratio.
The hypotheses are as follows.
$H_1$: Net Profit Margin has negative affect on Price Earning Ratio

According to Weston (1985), current ratio is used to measure short-term settlement, the extent to which short-term creditors bills can be met by the assets expected to be converted into cash within the time approximately the same as the maturity of the bill. According Yammi (2012), the results of analysis indicate that regression analysis show that Debt to Equity Ratio (DER) variables partially has significant negative effect on Price Earning Ratio. Meanwhile, Current Ratio (CR) and Total Asset Turnover (TATO) variables have no significant effect on Price Earning Ratio. These three variables used in this study (CR, DER and TATO) collectively affect Price Earning Ratio. According to Flower (2007), Halim (2005) and Virgani (2012), this research concludes that there is significant effect between Current Ratio (CR) and Price Earning Ratio (PER).
H2: Current Ratio has negative affect on Price Earning Ratio.

Dividend Payout Ratio (DPR) is one of market value ratios used to determine the level of dividend payments on capital invested by shareholders. DPR is important for investors, because DPR is an important indicator to assess the company prospects in the future by looking at the extent to which the company dividend payments and to measure the company ability to assess the stock market. According to Virgani (2010) and Afza and Tahir (2012), dividend payout ratio (DPR) has significant effect on price earning ratio in the consumer goods industry. The most influential variable is Dividend Payout Ratio. This means that the higher the dividend on shares market price in a company, it will increase the shares market price. Dividend payout ratio has no significant effect partially on Price Earning Ratio. Gatwald (2012), Hariyanti (2012). So, the higher the DPR value, the better the company's future prospects because the company dividend payments increases that eventually the stock market value increases as well. Thus, it will attract investors to buy company shares that will lead to increased demand for these shares so that the price per share also increases, and vice versa. Therefore, DPR affects stock price that ultimately can also affect Price Earning Ratio.

$H_3$: Dividend Payout Ratio has positive effect on Price Earning Ratio.

According to Bastian and Suhardjono (2006), Net Profit Margin is the ratio between net profit and sales. The higher the NPM, the more effective the company performance is, so it will increase the investors trust to invest in the company and the company value will be improved from the profit income of the investment of made by investor. The research results conducted by Maria (2008), and Prananti (2013) show that Net Profit Margin has significant effect on Price to Book Value. This research results in the conclusion that Net Profit Margin variable has significant effect on Price to Book Value. Suryaputri and Astuti (2003) state that Net Profit Margin (NPM) and Return on Assets (ROA) have positive effect on the Company value. Yesi and Rika (2010) state that liquidity measured by the current ratio does not have significant effect on price to book value. Putri (2013) states that the ratio of NPM can measure the company management ability in running its operations by minimizing the company burden and maximizing company profits. NPM is important for investors because NPM is an important indicator to assess the company prospects in the future to show that the company is performing well, as it can generate net income largely through sales activities, so it is used by investors in making a decision whether to buy the issuer shares, because increased net income has an effect on the interest of investors to invest in the company, which in turn will cause the increased value of the company. Based on the above statement, it can be proposed hypothesis as follows:

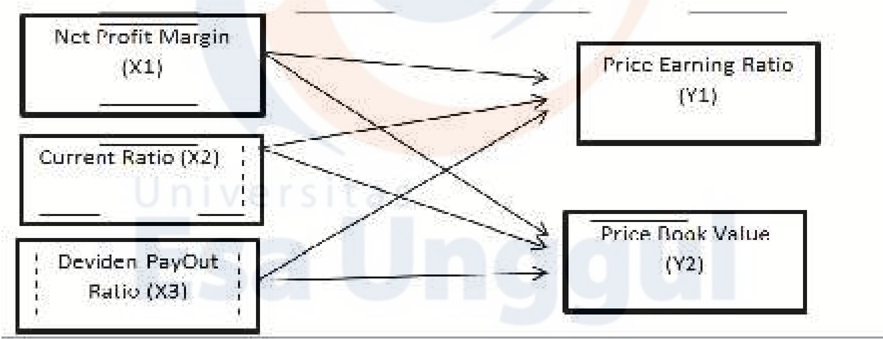
$H_4$: Net Profit Margin has effect on Price Book Value.

The results of research conducted by Maria (2008), show that Current Ratio has a significant effect on Price to Book Value. By using multiple regression analysis and statistical tests, the study finds that independent variables collectively affect Price to Book Value. Meanwhile, based on the test, partially Current Ratio variable does not affect Price to Book Value. Basically Current ratio can describe the source of company funding that will result in the reaction of stock market, stock trading volume so that it automatically affects share price. Thus, it will attract investors to buy the company shares that will lead to increased demand for these shares so that the share price increases as well, and vice versa. Therefore, Current Ratio effect share price which ultimately can also affect Price Book Value.

$H_5$: Current Ratio has effect on Price Book Value.

These results are in line with the theory put forward by (Miller and Modligiani (MM) in Ulya, 2014) stating that dividend policy is something that is irrelevant, meaning that it has no effect on the company value, because the increasing value of dividend is not always followed by the increasing value of the company. It is because the company value is determined solely by the company ability to generate earnings from its assets or investment policy. Research results not in accordance with Nurlaela (2012) with the title on company value, show that there is no significant effect on company value. This value must is strongly affected by accounting standards. Market to book ratio is viewed as a ratio that can be used to predict stock return for using a proxy of stock market price in its measurement. The higher the stock market price, the more successful the company creates value for investors so that the profit gained by investors also increases (Fama and French, 1995)

$H_6$: Dividend Payout Ratio affects Price Book Value.




Based on the description above, it can be described by the following conceptual framework.

**Figure of Research Model and Hypotheses**

**Research Methods**

This research was conducted at consumer goods companies listed in Indonesia Stock Exchange for the period 2011-2013. Aspects studied were net profit margin, current ratio, and dividend payout ratio on price earnings ratio and price book value.

The research was conducted in 2015 by descriptive quantitative analysis method and it was causal. The data was collected by accessing the companies' annual financial statements for the period 2011-2013 audited by independent public accounting firm, obtained from Indonesian Capital Market Directory (ICMD) as well as the website of Indonesia Stock Exchange (IDX statistic) processed.

The analysis technique was combined panel regression analysis of cross-sectional and time series. To test the data analysis in this study, it was multiple regression method using SPSS 22. The analysis results were then interpreted and given conclusions and suggestions. The analysis method can be described as follows.

**Measurement**

Measurement of variables in this study used the following formula.

Independent variables and dependent variable studied were described as follows:

*a. Net Profit Margin*

According to Ross, Westerfield, Jaffe and Jordan (2008), net profit margin was the net profit divided by net sales multiplied by one hundred percent. At this ratio it was used the formula:

$$\text{NET PROFIT MARGIN (NPM)} \quad \frac{\text{Net Profit}}{\text{Net Sales}}$$

*b. Current Ratio*

According to Weston and Copeland (1985), it was described that current ratio was the ratio comparing between current assets and current liabilities. At this ratio it was used the formula:

$$\text{Current Ratio (CR)} \quad \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad \text{X } 100\%$$

*c. Dividend Payout Ratio*

It was annual cash dividend divided by annual earnings or dividend per share divided by earnings per share. The ratio indicated the percentage of the company's profit paid to shareholders in cash (Horne and Wachowicz, 2007). At this ratio it was used the formula:

$$\textit{Deviden Payout Ratio (DPR)} = \frac{\textit{Deviden Per Share}}{\textit{Earning Per Share}}$$

*d. Price Book Value*

According to Ross, Westerfield, Jaffe and Jordan (2000), it was stated that market to book ratio was market value per share divided by book value per share. At this ratio it was used the formula:

$$\textit{Price Book Value (PBV)} = \frac{\textit{Market Value}}{\textit{Book Value}}$$

*e. Price Earning Ratio*

According to Ross, Westerfield, Jaffe and Jordan (2008), price earning ratio was the ratio between stock market price and earning per share (EPS). At this ratio it was used the formula:

$$\text{Price Earning Ration (PER)} = \frac{\text{Stock Market Price}}{\text{Earning Per Share (EPS)}}$$

**Population and Sample**

The population in this study was all manufacturing companies listed in Indonesia Stock Exchange (BEI) during 2011-2013. The number of population was 163 companies. It was used purposive sampling method, i.e. at consumer goods companies listed in Indonesia Stock Exchange for the period 2011-2013, always presenting the financial statements during the period of observation.

**Data Analysis**

Type of data used in this research was secondary data. The data was obtained from records, books, magazines in the form of financial statements published companies, government reports, articles, theory books, magazines, and others collected and processed directly by the researchers using Microsoft Word software.

**Results**

Individual significance test was hypothesis testing performed to determine the effects of each independent variable partially on dependent variable. There were dependent (endogenous) variables hypothesized simultaneously influenced by other independent variables (dependent variables in other equation).

**Table 1**
**Individual Significance Test**

| | Variables | Beta | Significance | Description |
|---|---|---|---|---|
| $H_1$ | *NPM* on *PER* | -.092 | 0.663 | Rejected |
| $H_2$ | *CR* on *PER* | -.019 | 0.036 | Rejected |
| $H_3$ | *DPR* on *PER* | 11.715 | 0.004 | Accepted |
| $H_4$ | *NPM* on *PBV* | .927 | 0.000 | Accepted |
| $H_5$ | *CR* on *PBV* | -.030 | 0.001 | Rejected |
| $H_6$ | *DPR* on *PBV* | 11.554 | 0.005 | Accepted |

Source: Results of Processed Data

**Results of Hypothesis 1**

From the results of test calculation partially, it was obtained significance of 0.663 net profit margin, meaning that it decreased from beta value of -0.092 price earning ratio. It can be concluded that $H_0$ was not rejected or $H_1$ was rejected, meaning that net profit margin did not affect price earning ratio. The negative sign in high net profit margin showed a decrease of market prices. Based on the analysis of financial statements throughout 2011-2013, the samples of consumer goods companies gained high net profit, but on average the companies invested in fixed assets. This research is in line with Fegriadi (2012) and Ridho and Prabawa (2012), that net profit margin variable does not have significant effect on PER (Price Earning Ratio). It is the investors that made the decision whether to buy issuer shares or choose to delay the purchase of company shares that will lead to decreased demand. Therefore, it increases and the price per share increases and the market demand decreases so that it provides impact on increased share price, and no investors who invest due to the high share price.

**Results of Hypothesis 2**

From the results of test calculation partially, it was obtained significance of 0.036 current ratio, meaning that it decreased from beta value of -0.019 on price earning ratio, it could be concluded that $H_0$ was not rejected or $H_1$ was rejected, meaning that current ratio did not affect price earning ratio. The negative sign in high current ratio or big short-term debt showed decrease in market prices. Based on the analysis of financial statements throughout 2011-2013, the samples of consumer goods companies had high short-term debt, but the average companies invested the funds in short-term debt payments. It is not in line with the research by Virgani (2012), Halim (2005). If current ratio is said to be liquid, it means that the company is rated as good and can lead to the company profits in the future. It is because share prices reflect the capabilities of company's profit and may result in an increase of the value of price earning ratio.

**Results of Hypothesis 3**

From the results of test calculation partially, it was obtained significance of 0.004 dividend payout ratio, meaning that it increased from beta value of 11.715 on price earning ratio, it could be concluded that $H_1$ was rejected or $H_0$ was not rejected, meaning that dividend payout ratio affected price earning ratio. The positive sign in high dividend payout ratio or big payment showed an increase of the stock market price. Based on the analysis of financial statements throughout 2011-2013, the samples of consumer goods companies had high dividend payments, that would increase the stock market price is higher than the average companies investing their funds. It is in line with research conducted by Afza and Tahir (2012), Gottwald (2012) and Virgani (2010) that dividend payout ratio affect price earning ratio.

**Results of Hypothesis 4**

From the results of test calculation partially, it was obtained significance of 0.000 net profit margin, meaning that it increased from beta value of 0.927 on price book value, it could be concluded that $H_1$ was rejected or $H_0$ was not rejected, meaning that net profit margin affected price book value. The plus sign in high net profit margin or big profit showed an increase of the company value. Based on the analysis of financial statements throughout 2011-2013, the samples of consumer goods companies had big profit, the company value increased. Therefore, investors invested the funds to the companies. It is in line with the study of Mary (2008) Suryaputri and Astuti (2003) and Putri (2011), that net profit margin variable significantly affects Price to Book Value. Meanwhile, according to Putri (2013), Net Profit Margin variable has no significant effect on Price to Book Value. It manages to maximize the sales and take advantage of net income based on a certain level of assets becoming an important reference for investors in making investment decisions.

**Results of Hypothesis 5**

From the results of test calculation partially, it was obtained significance of 0.001 current ratio, meaning that it decreased from beta value of -0.030 on price-book value, it could be concluded that $H_0$ was not rejected or $H_1$ was rejected, meaning that current ratio affected price book value. The negative sign in high current ratio or a big short-term debt showed a decrease of the company value. Based on the analysis of financial statements throughout 2011-2013, the samples of consumer goods companies had high short-term debt, but the average companies invested their funds in short-term debt payments. It is not in line with the study of Maria (2009), showing that current ratio has a significant effect on Price to Book Value. Therefore, it can be concluded that current ratio has a positive effect on the company value.

**Results of Hypothesis 6**

From the results of test calculation partially, it was obtained significance of 0.005 net profit margin, meaning that it increased from beta value of 11.554 to the price book value, it could be concluded that $H_0$ was not rejected or $H_1$ was rejected. The positive sign in high dividend payout ratio or big payment showed an increase of the stock market price. Based on the analysis of financial statements throughout 2011-2013, the samples of consumer goods companies had high dividend payment, that would increase the company value higher than the average companies investing their funds. The research results are in line with the research conducted by Putri (2014), that dividend policy measured using dividend payout ratio (DPR) has a positive and significant effect on the company value. It can be concluded that dividend payout ratio has a positive effect on company value. Therefore, increased dividend affects the investor interest to invest their funds which will ultimately lead to increased company value.

**Managerial Implication**

Managerial implications are ideas, inputs that can be delivered to the management in which research is conducted, when it is found weaknesses, shortcomings and problems that might hinder the growth and development of a business. For example in this research, it is to determine variables affecting price earning ratio and price book value in manufacturing companies listed in Indonesia Stock Exchange.

The findings in this study indicate things that need to be considered, either by the company management or investors in managing companies that determines investment strategies seen on market price per share and company value, are net profit margin, current ratio, and dividend payout ratio. Every issuer listed on the stock market is required to have the ability to increase revenue, showing the performance of the company concerned. According to the research there are several things that must be considered.

Good cash would ensure the market ratio of a company and it is expected that market price will rise. The higher the market ratios of company, the bigger the company's ability to pay dividends to shareholders. Companies that quickly pay dividends are certainly more attractive for investors in so that the stock market price increases.

Dividend Payout Ratio is a dividend payment that investors invest or infuse their funds for cash flow turnover, utilizing assets. Therefore, funds invested with refund or prompt dividend payment to investors will make shareholders interested to add company funds or capital to grow and have many branches. Therefore, investors tend to be more interested in companies that pay increased dividends that affects investors to invest the funds that will ultimately lead to increased company price per share. It can be concluded that high dividend payout ratio will increase the price per share and the company value.

Ratio of Net Profit Margin (NPM) that is big will show that companies are performing well because it can generate big net profit through sales activities. It can be used by investors in making a decision whether they want buy the issuer's shares. Consumer goods industry grows and develops rapidly. It is supported by the high level of public consumption along with increasing share income because increased net income affects investors to invest in the company, which in turn will cause the company's share price increases. To improve profitability, the consumer goods companies need to develop their products, that will affect sales and increase net income. Therefore, net profit margin can be the basis of the company's consideration in making decisions in the purchase of shares price.

Price Book Value is very important because with the high company value it will be followed by high prosperity level of shareholders. It shows company's ability to create relative value on the amount of capital invested by investors. Thus, the higher the ratio, the more successful and capable the companies create value for shareholders, the higher the market trust level on company prospects, so that the demand for these shares increases, then it will push the company share price. The higher the share price, the higher the company value is. The high company value becomes the desire of company owners, because the high value indicates high prosperity of the shareholders. The wealth of shareholder and company are represented by the shares market price, that is a reflection of the decisions of investment, financing, and asset management.

For company managers, it is expected to pay more attention to the company's fundamentals, in this study, has significant effects on price earning ratio and price book value. This study only uses share prices and company value to assess the company's performance then develop this study by assessing other financial ratios that can be used to assess company performance. Focus on net income, short term debt and dividend distribution is not only on effectiveness and efficiency. Managerial implications consider the addition of earning growth variable.

Present value model have weaknesses and limitations compared to price earnings ratio model, thereby causing the use of price earnings ratio model to be more popular in assessing stocks. By using this approach, investors can determine the intrinsic value of stock value. Stock assessment approach using price earning ratio model should only be used when an investor assumes that market situation is almost the same when PER model is formulated. In addition, the use of PER model is not free from errors of assumption or prediction performed.

The use of price earning ratio approach in assessing share would be better if the financial statements is published by the issuer in full disclosure. From the information about share prices of existing manufacturing companies, it can help decide the investment plan for investors in the stock market, so investors can know the performance prospects of manufacturing company shares. In the Indonesian economic condition that is not too improved, as a result of the economic crisis before, in general the movement of share prices are more dominantly affected by external factors, such as government policies, changes in interest rates, inflation, etc., so that investors should be more sensitive to information existing on the market in investing on the shares of manufacturing companies.

For company issuers in controlling the company performance should also pay attention on activity ratio, profitability ratio and market shares ratio, so that the companies can be always considered by investors. Companies that have a good financial performance will have an impact on better share price. If the share price increases, the profit will be enjoyed by the company or by investors.

For investors in predicting PER and PBV of other factors affecting changes in the company performance should get the attention before taking investment decision. Therefore, it is not only financial ratios such as NPM, CR and DPR but it can also use other ratios that can affect the change of company performance such as earnings growth, share price, institutional ownership and managerial ownership. Also, it should be considered the social, political and economic condition occurring in a period.

Shareholders should also diversify investment in certain industries such as financial companies, in order to obtain more specific results for the implementation of stock market prices and the company value in the consumer goods industry in Indonesia. Second, for investors who prefer getting profitability above the average stock in the form of net income rather than capital gains, it would be better to consider the price of stock market. Third, for shareholders who wish to know the investment opportunities of a company, it should not be based only on stock market prices, but also book value. It is because price to book value has a value that is relatively stable and can be used to measure if the company has a negative profit. Fourth, good liquidity value will increase the share price and high price to book value.

**Conclusion**

It can be concluded from the findings of this study that from the test results of independent variables on price earning ratio, it is found that current ratio and dividend payout ratio has significant positive effect, while net profit margin has no significant effect on price earning ratio. The test results of independent variables on price earning ratio (the first model), it is found that dividend payout ratio has significant positive effect, while net profit margin and current ratio have no significant effect on price earning ratio, net profit margin, and dividend payout ratio has significant positive effect on price book value. However, current ratio has no significant effect on price book value. Of the variable test results collectively variables from the first model and second model, it is found that net profit margin, current ratio, and dividend payout ratio has significant positive effect on price earning ratio and price book value. The variable that has most dominant effect is net profit margin on price book value in the companies of the Indonesia Stock Exchange of consumer goods sector 2011-2013.

**Limitation**

This study has limitations owned by the researcher, among others, by simply using the time period for 3 (three) years, it allows less maximum data. The samples of companies used in this study are samples of the consumer goods sector companies. Other study limitation is that it is not considered variables such as earnings growth, company size or stockholder internal variables that may provide effect. This makes the research cannot be necessarily generalized to other types of companies. The results also indicate the magnitude of independent variable in explaining the first model of dependent variable by 26.7% and the remaining of 73.3% is explained by other variables not included in the model of this study. The second model of dependent variable is 66.4% and the remaining of 33.6% is explained by external factors

**Suggestion**

Having conducted the research on factors affecting price earning ratio and price book value at manufacturing companies listed in the Indonesia Stock Exchange for the period 2011-2013, the researchers give some suggestions as follows: first, the researchers used the first model of price earning ratio and the second model of price book value as the dependent variables, while the independent variables used were net profit margin, current ratio and dividend payout ratio. In further research, it is expected to use independent variables beyond the financial ratios such as investment opportunity, insider ownership, inflation or other variables. Second, the research used the sample of 16 companies listed in the Indonesia Stock Exchange. It is suggested to use a number of different samples or scope of research that can be extended to other types of industries. This is due to the limited research time. Then, the third, this study used multiple data regression. Further research may use different analytical methods. Fourth, in this research, the period used was 2011-2013. The next research is expected to renew the period used and can extend the range of the research period so that the results obtained are more maximum. Finally the fifth, to make the right investment decision, shareholders or investors should pay attention to the information released by companies such as investment opportunities in addition to the accounting data only. Given the information, it is very useful to take the investment decisions or able to increase the company value in the future. Shareholders should also diversify investment in certain industries in Indonesia.

**Reference**

Afza, T.,& S.Tahir. (2012). Determinants Of Price Earning Ratio: The Case Of Chemical Sector Of Pakistan. *International Journal Of Academic Research In Business And Sosial Sciens.*

Ang, R. (1997). *Buku Pintar Pasar Modal Indonesia*. Jakarta: Mediasoft Indonesia.

Arikunto, S. (2002). *Prosedur Penelitian Suatu Pendekatan Praktek*. (5th ed). Jakarta: Rineka Cipta.

Hermawan, A. (2009). *Penelitian Bisnis* . Jakarta: Grasindo.

Bastian, I & Suhardjono. (2006). *Akuntansi Perbankan*. (1thed). Jakarta: Salemba Empat.

Brealey, R. A. & Stewart C. M. (1998). *Principles of Corporate Finance.* (3th ed). New York: Mc Graw Hill Book Company.

Brigham, E F. & Louis C. G. (1993). *Intermediate Financial Management*, (4th ed). New York: The Dryden Press.

Bhayo, R M., R.S.Shaikh., & M.A.Khan.(2011). An Idiosyncratic Explsntion of Earnng Price Ratio Based on Financial Statement Analysis. *International Journal Of Business and Sosial Scien*, 2 (9).

Bunga (2007). Pengaruh Rasio Likuditas, Aktivitas, Laverage Dan Profitabilitas terhadap *Price Earnung Ratio* Pada Industri Otomitif Di BEI 2007-2009. *Jurnal Ekonomi.*

Bolek, M. & R. Wolski. (2012). Profitability Of Liquidity Influencing The Market Value The Cas Of Poland. *International Journal Of Economic and Finance. 4(9).*

Damodaran, A. (2002). *Investment Valuation Tools And Techniques For Determining The Value Of Any Asset.* New Jersey: John Wiley & Sons, Inc.

Fama, E.F., & French, K.R. (1995). The Cross Section of Expected Stock Return. *Journal of Finance.*

Fergiadi (2012). Pengaruh Ratio Keuangan terhadap Price Earning Ratio. *Jurnal Akuntansi Fakultas Ekonomi*.

Gottwald, R. (2012). The Use Of The Price Earning Ratio to Stock Valuation. Grant Jurnal.

Gitman, J.L. (2009). *Principles Of Managerial Finance.* United States: Person Addison Wesley.

Gujarati, D.N. (2003). *Basic Econometrics.* (4th ed). New York: McGraw-Hill

Hermaningsih, S. (2013) Profitability, Growth, Opportunity, Capital Structure And The Frim Value. *Jurnal Ekonomi.*

Horne, J. C., &Wachowicz, J.R. (2005). *Financial Management. Prinsip-Prinsip Manajemen Keuangan.* (12th ed). Jakarta: Salemba Empat.

Husnan, S. (2000). *Manajemen Keuangan Teori dan Penerapan (Keputusan Jangka Panjang)*, (4th ed), BPFE, Yogyakarta.

Husnan, S. & Pudjiastuti. (2006). *Dasar-Dasar Manajemen Keuangan*. (4th ed).Yogyakarta: UPP STIM YKPN.

Khalaf,T., & B. Hamed. (2013). The Effect Of Financial Ratios, Frims Size And Cash Flows From Operating Activities On Earning Per Share. *International Jurnal Of Social Sciences And Humanity Studies Jordanian.* 3(1).

Laporan Keuangan dan Tahunan http://www.idx.co.id

Lydia (2009). Analisis Nilai Akuisisi Bank Sinar Harapan Bali Menggunakan Metode Dividend Discount Model Dan Rasio Price To Book Value. Jakarta. *Jurnal Ekonomi Universitas Indonesia*.

Maria (2009) Analisis Pengaruh *Current Raio, Net Profit Margin, Total Asset Turnover* Dan *Debt To Equity Ratio* terhadap *Price Book Value* Pada perusahaan Kompas 100 di BEI periode 2004-2008. *Jurnal Ekonomi.*

Hanafi, M, M.,& Halim. (2007). *Analisis Laporan Keuangan*. Yogyakarta: UPP STIM YKPN.

Reeve, M., James, S., Warren & Carl. (2010). *Pengantar Akuntansi Adaptasi-Indonesia.* Jakarta: Salemba Empat.

Prastowo, D. (2002). *Analisis Laporan Keuangan*. (2th ed). Yogyakarta: UPP AMP YKPN.

Putri, P.C. (2013). Analisis Pengaruh Rasio Profitabilitas Terhadap Nilai Perusahaan Manufaktur Sub-Sektor Otomotif Dan Kompenen di Burs Efek Indonesia. *Jurnal Ekonomi Universitas Negeri Surabaya*.

Ross, S. A, Westerfield, J., & Jordan. (2008). *Modern Financial Management*. (8rd ed). New York: McGraw-Hill Companies.

Poernamawatie, F. (2008). Pengaruh Price Book Value (PBV) Dan Price Earning Ratio (PER) Terhadap Return Saham Pada Perusahaan Manufaktur Yang Terdaftar di BEI. *Jurnal Manajemen Gajayana***.** 5(2).

Ridho, R., & Prabawa., S.A. (2012). Faktor-Faktor Yang Mempengaruhi Price Earning Ratio Saham Perusahaan Manufaktur. *Jurnal Ilmiah Manajemen.* 7(1).

Sardjananto(2002). Analisis Faktor-Faktor Yang Mempengaruhi Price Earning Ratio Saham Perusahaan Industri Barang-Barang Konsumsi Pada Bursa Efek Jakarta. *Jurnal Ekonomi Universitas Dipenegoro*.

Sartono, A. (2008). *Manajemen Keuangan Teori dan Aplikasi*. (4th ed). Yogyakarta: BPFE.

Subekti & Surono. (2002). *Kiat Bermain Saham*. Jakarta: PT. Gramedia Pustaka Umum.

Sudana, I. (2011). *Manajemen Keuangan Perusahaan Teori dan Praktik.* Jakarta: Erlangga.

Suliyanto. (2011). Ekonometrika Terapan Teori dan Aplikasi dengan SPSS. Yogyakarta: ANDI.

Suryaputri, R.V & C.D., Astuti. (2003). Pengaruh Faktor Leverage, Dividend Payout, Size, Earnings Per Share And Country Risk terhadap Price to Book Value. *Media Riset Akuntansi, Auditing dan Informasi*. 3(1).

Stice, J.D., Stice., E. Kay., & Skousen K. Fred. (2009). Akuntansi Keuangan: *Intermediate Accounting*. Jakarta: Salemba Empat.

Tandelilin, E. (2001). *Analisis Investasi dan Manajemen Fortofolio*. (1th ed). Yogyakarta: BPFE.

Ulya, H. (2014). Analisis Pengaruh Kebijakan Hutang, Kebijakan Dividen, Profitabilitas, Kinerja Perusahaan dan Keputusan Investasi Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur yang Trdaftar di Bursa Efek Indonesia 2009-2011. *Jurnal Ekonomi dan Bisnis Universitas Dian Nuswantoro.*

Virgani, P. (2012). Pengaruh Faktor Likuiditas, Leverage, Dan Dividen Terhadap Price Earning Ratio Pada Industri Manufaktur Di Bursa Efek Indonesia 2010-2011. *Jurnal Ekonomi*.

Weygandt, J.J., Kieso, D.E., & Kimmel, P.D. (2008). *Accounting Principles.* (7th ed). Jakarta: Salemba Empat.

Yemami (2012). AnalisisPengaruh Current Ratio, Debt To Equity Ratio, Total Aset Turnover

Terhadap price earning Ratio. *Jurnal Ekonomi Universitas Dipenogoro.*

Zamzami, R.A. (2008). Pengaruh Kinerja Keuangan Terhadap *Price Earning Ratio*. *Jurnal Fakultas Ekonomi Dan Bisnis Universitas Brawijaya.*