THE INFLUENCE OF THE RATIO OF ACTIVITY, PROFITABILITY AND PRICE TO BOOK VALUE AGAINST THE PRICE EARNING RATIO ON TRADING COMPANIES IN INDONESIA STOCK EXCHANGE PERIOD OF 2015 – 2017

Novien Rialdy
The Faculty of Economics and Business
Muhammadiyah University of North Sumatera
novienrialdy@umsu.ac.id

Abstract
This study aim stodetermine the effect of the activity ratio (inventory turnover), profitability (return on equity) and price to book value of the price earnings ratio on companies trading in Indonesia Stock Exchange 2015-2017. The statistical method used is multiple linear regression and performed classical assumption first. The conclusion of this study is partial and simultaneous. Inventory turnover, return on assets and price to book value simultaneously affect the price earnings ratio on companies trading in Indonesia Stock Exchange 2015-2017 period with a 95% confidence level.

Keywords: Inventory Turnover, Return on Assets, Price To Book Value, Price Earning Ratio

INTRODUCTION

The development of the world capital market took much attention especially for the people who rushed out into the field of business. The Capital Market activities generally consist of investment where this is one of the goals of investors in the search for the benefits of this investment activities. Investment activities can also reflect the behavior of investors in planning to invest. One form of planning investment by the investor is to buy shares through a Securities Exchange with the hope that the purchase of shares in one sheet will take advantage of the great whether it was a dividend or capital gain.

Investment planning requires some considerations that one of them is to know the information about the condition of the company in the form of financial reports. Financial reports can be needed by investors because they can be as the information about the future of the company. For that investors need to perform analysis of financial reports. Financial Report analysis aims to increase trust and confidence in the future of the company. In general the analysis of the financial report based on historical financial data that the main goal is told there is an indication of the performance of the company in the future will come.

One of the analysis of financial reports that made the guidelines in investing shares is the price Earning Ratio (PER) or known with the ratio of the price. Price Earning Ratio is the ratio to measure the value of the company based on the income of her accomplishments on a certain period calculated by comparison of share price. By knowing the price earning ratio is a company so it can be known to share position with other stocks. In general it can be said that to assess the stock with price earning ratio, investors and securities analysts expected to understand the fundamental factors companies as guidelines to assess the ratio of the price so that the fairness of share price can be considered also. In accordance with the view that share prices reflect the hopes of investors or market against the prospect of a company, then the factors that affect the price of the stock market will also affect the price earning ratio. So in this research is another approach in assessing price earning ratio is to see the ratio of activity, profitability and price to book value.
The activity ratio is the ratio of which describes the ability of companies to use aktivanya exactly. In this case the management is required to be able to manage the assets of the company in the best because when cannot manage it with both the company will experience a loss slowly. One of the ways the good assets management is with through the sale. For it must be clever management manage aktivanya in producing the income or profits of the company because when the higher the ratio of activity and the possibility of obtaining the benefits will be more like will have an effect on the rising price earning ratio.

Profitability ratio is the ratio of which demonstrate the ability of a company in the search for the benefits in a certain period. To get a big profit the company can think of employee welfare. Essentially the company advantage can be seen on the financial report or profit and loss reports. Profit and loss report provides information about the ability of companies in the produce of the spider. So that can be seen when the company got a big profit value price earning ratio will also be more because both reflect the corporate earnings.

Price to book value is the ratio of the market value that shows the comparison of share price with the book value per share. This ratio to discuss the ability of the company to manage the value of the book company where every transaction the company recorded in the book. In general the value of the book is one of the important guidelines for investors because investors can also see how the company ability in profits. So that can be interpreted the higher price to book value, then the greater the additional source of income (PER) which can be enjoyed the company owner or investors.

The phenomenon of trading companies can be seen on the financial ratio as the ratio of activities, profitability, Price to Book Value and Price Earning Ratio. This is known from a company when the ratio of activity, profitability, Price to Book Value and Price Earning Ratio has increased and this may indicate that the company acquired a big profit in the sales. On the contrary if the ratio of activity, profitability, Price to Book Value and Price Earning Ratio is a company declined the company experienced financial balance imbalance where many companies use debt as a business capital.

This research took the company is engaged in the commercial sector that are registered in Indonesia Stock Exchange (BEI). The company is trading companies will be able to develop rapidly in the benefits because the company can trade shows the performance and condition of a good company and always grow or grow every time and so investors believe to still invest and potential investors interested to invest. The request will be on the stock trading companies also vary due to the interest of investors so that when the demand for the shares higher will increase the price of the shares. The request will share depending on the assessment of the investors against the financial report of the company. Based on the explanation above, researchers do research with the title of bachelor theses : "the influence of the ratio of activity, profitability and Price to Book Value against the Price Earning Ratio On Trading companies in Indonesia Stock Exchange period 2015-2017". The purpose of this research is to know the influence of the ratio of activity (inventory turnover), profitability (return on equity) and price to book value against the price earning ratio on trading companies in Indonesia Stock Exchange period 2015-2017.

An Overview of The Library

Activity Ratio

According To Horne and Wachowicz (2012:172), the activity ratio is the ratio of the efficiency or rotation, where this ratio to measure how effective the company uses its assets.
According to Harahap (2013:308), the activity ratio is a ratio that describes the activities of the company in the operations running good in sales activities, purchase and other activities.

According to cashmere feel (2012:172-173), the ratio of activities related to the effectiveness of the company in the use of the assets of the company so that the management can measure their performance during this. The results obtained for example can be known how long a billing receivables in a certain period. In addition this ratio is also used to measure the average day preparations are stored in the warehouse, circulation of working capital, circulation of fixed assets in a period, the use of all assets against sales and other ratio.

According to cashmere feel (2012:173-174), and the advantages and the aims pursued the company from the use of the ratio of activity among others

1. To measure how long the debt collection during a period,
2. To calculate the day of the average debt collection (days of receivable),
3. To calculate how many days on average a decrease in stored in the warehouse,
4. To measure how many times the funds to invest in the rotating working capital in a period,
5. To measure how many times the funds to invest in fixed assets spins in one period,
6. To measure the use of all assets of the company compared with the sale.

According to cashmere feel (2012:180), the calculation of the rotation of the preparation is done with two ways namely compare between the cost of goods sold with a decrease in value and compare between the sale with a decrease in value. When a ratio obtained high, this shows the company work efficiently and liquid preparation the better. So when the cycle of low inventories means the company work is not efficient or not productive and many goods bicarbonate which accumulated. This will cause the investment in the rate of return low.

\[
\text{Inventorial Turns} = \frac{\text{Sales}}{\text{Preparation}}
\]

The ratio of Profitability

According To Husnan and Titik Pudjiastuti (2006:72), profitability ratio is the ratio of measuring the efficiency of the use of the assets of the company or perhaps a group of assets of the company. According to Murhadi (2013:63), the ratio of profitability can also be interpreted is the ability of the company to generate benefits and usually can be taken from the profit and loss financial reports.

According to cashmere feel (2012:196), profitability ratio is a ratio to assess the ability of the company in profits. This ratio also provides an overview of the level of effectiveness of management in carrying out the activities of operations. The effectiveness of the management can be seen from the spider which is produced and investment company. The sources of profitability ratio to get the spider can be obtained through the sales activities, cash, capital and number of employees and the number of branches and so on.

According to cashmere feel (2012:197-198), the benefits and purpose of the ratio of profitability is:

1. Know the greatness of the level of profit obtained by the company in a period.
2. Know the position of the corporate profit in the previous year with years now.
3. Know the development of the spider from time to time.
4. Know the amount of net profit after tax with capital.
5. Know the amount of net profit after tax with capital.
6. Know the productivity of the entire company funds used both loan capital and capital.
Profitability ratio indicator of this research is the return on assets (the ratio of return on equity). According to Murhadi (2013:64), return on assets reflects how big return produced on every dollar that is embedded in the form of assets. The hope the higher return on asset, then the company will be the better.

The formula:
Comprises = Net Profit After interest and tax/ Total Equity

**Price to Book Value**

According To Darmadji and Fakhruddin (2012:157), price to book value or the ratio of the value of the book is the ratio of that describes how big the market to appreciate the value of the book shares a company. In addition according to Murhadi (2013:60), the price to book value is a ratio describing comparison between the price of the stock market and the value of equity book as that is in the report financial position.

According to Brigham and Houston (2010:151), price to book value is usually indicated by the value of the company. Price to book value or the ratio of the value of the book is a reflection of the value of the company where the benefits and purpose of this ratio is to show how far the company is able to create corporate value is relative to the amount of capital that invested. In addition price to book value can also memaksimalisasi share value ownership of the company, or maximize the share price. The purpose of maximisation of share price does not mean that managers should attempt to find a recent rise in the value of the shares at the expense of the holders of bonds.

According to Darmadji and Fakhruddin (2013:157), price to book value (PBV) or the ratio of the value of the book is the ratio of that describes how big the market to appreciate the value of the book shares a company. This ratio compares the interpretation of accounting reporting system to the value of the wealth of the company (net assets in the balance) with investor perceptions of the market value of the wealth of the company (market capitalization). Share prices on the formula of the ratio of the value of the book referred to is the share price closing (closing price) on a specific date.

The formula:
The ratio of the value of the Book (PBV) = Share Price/ Shares Book Value

**Price Earning Ratio**

According To Brigham and Houston (2010:150), price earning ratio is also referred to as the ratio of the price or spider where this ratio shows the number of willing to be paid by investors every rupiah spider reported. The ratio of the price will be higher for companies with good growth prospects and risks are relatively low.

According to Husnan and Titik Pudjiastuti (2006:75), the price earning ratio is a ratio comparing between share price (which is derived from the capital market) and net profit per share sheet obtained the company owner or presented in financial reports. When the number of this ratio is usually used investors to predict the ability of the company in the future profit will come. In addition the company with a high level of growth opportunities typically have a price earning ratio is high, and this shows that the market expects net profit growth in the future.
According to Husnan and Titik Pudjiastuti (2006:75), the price earning ratio can also called multiplier approach, where investors will calculate how many times the net profit value multiplier which is reflected in the price of a stock market. In other words, price earning ratio can be described the relationship between the price of the market value of the shares in the company profit. Follows the formula to calculate the price earning ratio is as follows:

\[ \text{PER} = \frac{\text{Share Price}}{\text{Net Profit per Share Sheet}} \]

**Research Method**

This research done on the Indonesia Stock Exchange through the medium (www.idx.co.id) during November 2016 until June 2017.

**The population and sample**

Population that used in this research is the trading companies that are registered in Indonesia Stock Exchange from 2015-2017 period which numbered 54 companies. This research uses the technique of purposive sampling where the technique to take samples from the purposive sampling adjusted with the criteria namely:

1. Trading companies that are registered in Indonesia Stock Exchange (BEI) period of 2015 – 2017.

The number of sample research obtained as much as 26 company data from the population of manufacturing companies that are registered in Indonesia Stock Exchange during the year 2015-2017.

**Results And Discussion**

**Description of research**

Based on data from the descriptive statistics can be explained that:

Variables Inventory turnover (INTO statement) minimum value is known by 1.32 times located on PT AGIS RESTAURANT Tbk in 2017, maximum value is known by 21.87 times located on PT Dayaindo Resources Inter. Tbk in 2015, the value of the average or mean known by 7,2303 and standard deviation known by 3,77032.

Return on asset (ROA) comprises the minimum value is known by the lowest infection rate was from 0.00 times located on PT Catur Sentosa Adiprana Tbk in 2015, maximum value is known by 0.52 times located on PT Sun Putra Prima Tbk in 2017, the value of the average or mean known by 0.0837 and standard deviation known by 0.08332. Price to book value (PBV) minimum value is known by 0.40 times located on PT Dayaindo Resources Inter. Tbk in 2017, maximum value is known by 9.71 times located on PT Ace Hardware Indonesia Tbk in 2017, the value of the average or mean known by 2,6788 and standard deviation known by 2,21055.

Price Earning Ratio (PER) minimum value is known by the lowest infection rate was from 0.00 times located on PT Dayaindo Resources Inter. Tbk in 2012, maximum value is known of for 29.96 times located on PT Tira Austenite Tbk in 2017, the value of the average or mean known by 3,2636 and standard deviation known by 6,07822.
Test results

Test Normalitas Classical assumptions

Based on the test results on the output SPSS normalitas, obtained Asymp. Sig. (2-tailed) on the data after ditransformasi (Ln) amounting 0.563. The test result data normalitas after the transformation shows the value Asymp. Sig. (2-tailed) meets the criteria where value Asymp. Sig. (2-tailed) > The value of the probability (0.05) then data on this research the normal distribution.

Multikolinearitas tests

Based on the test results normalitas shows that there is no problem with this multikolinearitas test. The basis of this multikolinearitas test assessment is the VIF for each of the independent variables is not exceed 10. Test Results autokorelasi Autokorelasi tests above shows the values for the statistics Durbin Watson (d) where the value of the DW of 2.065, with du of 1.717 and 4-du of 2.283 and 1.717 < 2.065 < 2.283 so that there will be no autokorelasi in this research. Therefore it can be concluded that there is no problem autokorelasi in this regression model.

Based on the Scatterplot Heteroskedastisitas test picture above then this heteroskedastisitas test could not be a problem. This can be seen there is a clear pattern and the points that are on the graph scatterplot spread up and down 0 on the axles Y. While the results of the test data processing heteroskedastisitas on test table Park, shows the value of the significance on the basis, COMPRISES and PBV above 5 percent or 0.05. There was not even a significant value of each variable is greater than 0.05, so that there will be no heteroskedastisitas on this research.

Data Analysis Model

Research Model

From SPSS Output table on the column Unstandardized Coefficients Section B obtained double linier regression equation model:

\[
\text{Ln\_PER} = 2.475 - 1.067 \text{Ln\_INTO} + 0.553 \text{Ln\_COMPRISES} + 1.041 \text{Ln\_PBV}
\]

Based on mathematical equation, planck value of 2.475 shows that if the regression coefficient for independent variables considered zero value price earning ratio has a value of 2.475. Regression coefficient inventory turnover -1.067 shows the negative relationship between inventory turnover with price earning ratio which means that the price earning ratio using inventory turnover tend to lower high of 1.067 compared with companies using inventory turnover high, with assumption planck and other variable regression coefficient is zero.

Regression coefficient of the return on the assets of 0.553 shows a positive relationship between return on assets with price earning ratio which means that if a variable return on asset increased by one unit of the price earning ratio rose by 0.553, with assumption planck and other variable regression coefficient is zero. Regression coefficient price to book value of 1.041 shows a positive relationship between the price to book value with price earning ratio which means that if a variable price to book value increased by one unit of the price earning ratio up 1.041, with assumption planck and other variable regression coefficient is zero.
The determination coefficient test (R2)

Based on the determination of coefficient tests shows the extent it said the R Square is 0,308, this means 30,8% variation of price earning ratio can be explained by the variation of independent variables namely Inventory turnover, return on asset and price to book value. While the rest of 69,2% explained by other variables that are not used in this model.

Test the significance of simultaneous (F-test)

Based on the results the value of F-count of 12,405 with the level of the significance of 0,000. Because the value of F-count of 12,405 ebih continue of F-table of 0,000 and 0,000 significance level smaller than 0.05 or 5%, so it can be declared that the Inventory turnover, return on asset and price to book value influential simultaneously against the price earning ratio.

Partial Significance tests (t-test)

Test results t can be seen that significant value Inventory turnover is obtained by 0,008 smaller than 0.05, the value of significant Return on assets acquired by 0,023 smaller than 0.05, and significant value price to book value is obtained by 0,000 smaller than 0.05. With so that Inventory turnover, return on asset and price to book value effect partially against the price earning ratio.

The discussion of the Research Results of the

Variables Inventory turnover a significant effect toward price earning ratio. This is due to the fact that there is still a company that has not yet been able to produce a great sales with enough supplies from the company or the company is not able to provide the preparation because many of the Trade Receivables that have not yet been impacting income and become cash money so that reduces the amount of the preparation of the company. Return on asset influential variables significant on the price earning ratio this is due to the results of this research showed that the company can improve the trade rate of return corporate assets through acquisition huge profits for one year so that with the increased ROE due to the increased earnings through the benefits of the sale and of course it attracted the attention of investors so that by itself will raise the value PER. The variables price to book value affect the significant impact on the price earning ratio Price to book value is high will make the market believe the prospects for the company to the future. This is also the desire of the owner of the company for the value of the company is high indicates the prosperity of shareholders also high. So it can be explained increased price to book value due to the increase in the price of the shares obtained from the net profit of the company and of course it will raise the value PER.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on explanation discussion then this conclusion is as follows:
1. Inventory turnover partially significant effect against the price earning ratio.
2. Return on assets partially significant effect against the price earning ratio.
3. Price to book value partially significant effect against the price earning ratio.
4. The coefficient determination seen from it said the R Square of 0,308, which means 30,8% variation of price earning ratio can be explained by the variation of independent variables namely inventory turnover, return on asset and price to book value.
Suggestions

A few suggestions that can be proposed by the researchers associated with the conclusion above among others:

1. Investors should pay more attention to the ratio of company financial ratio in predicting the company share price will come and in the decision to invest, because as obtained from the results of this research that the ratio of financial ratio has a simultaneous influence of Price Earning Ratio of the corresponding share.

2. For further researchers suggested to extend the research period from three years to four years and expand the sample company with include labor intensive industries other capital such as the financial industry and manufacturing. The next researchers also recommended to add other independent variables such as the current ratio and debt to equity ratio so that it can be obtained a clear picture of the factors that affect the ratio of the price earning ratio.

3. For trading companies, management is expected to increase its subsidiaries using the measurements used in the ratio of the price earning ratio, then it is recommended to pay more attention to the factors that can affect the ratio of the price earning ratio, such as inventory turnover, return on asset and price to book value with emphasis in price earning ratio for the three variable is partially have a significant influence on price earning ratio in this research.

A List Of The Library

Indonesia Stock Exchange http://www.idx.co.id site