

The Effect of Return on Equity and Dividend Payout Ratio On Price Earnings Ratio in Food and Beverage Sub-Sector Companies Listed On The Indonesian Stock Exchange In 2017-2022

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Article Info	Purpose – This study aims to determine the effects of Return On Equity and Dividend Payout Ratio on Price Earning Ratio.
Keywords: ○ Return On Equity ○ Dividend Payout Ratio ○ Price Earning Ratio	Design/methodology/approach – This research uses quantitative data. The sample consists of 15 food and beverage sub-sector companies listed on the Indonesian Stock Exchange during the 2017–2022 period. The hypothesis is tested using multiple regression analysis with EViews 9 software.
Article History	Findings – The results indicate that the Return on Equity variable has a positive and statistically significant effect on the Price Earning Ratio. Similarly, the Dividend Payout Ratio has a positive and statistically significant effect on the Price Earning Ratio.
Received: 13 – 12 - 2024 Accepted: 04 – 01 - 2025 Published: 10 – 01 - 2025	Research limitations/implications – This study focuses on Price Earning Ratio and its relationship with Return on Equity and Dividend Payout Ratio in the context of food and beverage sub-sector companies. It is limited to a specific time frame (2017–2022) and a sample size of 15 companies.

INTRODUCTION

Indonesia's economy is inseparable from the capital market. The history of stocks in Indonesia has involved the development of the capital market over time, including the formation and growth of the Indonesia Stock Exchange (IDX) which was present long before Indonesia's independence. The capital market or stock exchange has been present since the Dutch colonial era and precisely in 1912 in Batavia and has 4 levels of classification consisting of 12 Sectors, 35 Sub-sectors, 69 Industries, 130 Sub-industries Shares per sector IDX Industrial Classification - SahamU. The capital market is a meeting place for sellers and buyers where there is trading activity. Through activities carried out in the capital market, both sellers and buyers of shares certainly expect profits. These benefits make investors interested in trading in the capital market. Financial reports are one of the sources of information used by investors because financial statement information is an important element for investors and businesspeople for the purposes of analysis and decision making (Firanti Hardianti & Sukma Febrianti, 2021).

Financial reports are important in a company to be the basis for determining and assessing the company's overall financial condition and helping the company evaluate and overcome financial related problems. The information expected from financial statements is expected to be able to provide assistance to users to make financial economic decisions (Faisal,

2018). In any event, the information contained in a financial statement will be used by investors to help them make expectations about future profits and dividends. Financial ratio analysis is one of the selection and analysis tools by investors related to the shares that will be purchased and is a very necessary part of analysts and investors to make investment policies with the aim of providing an indication of future financial performance and predicting business continuity (Sari & Faisal, 2024). One analysis that is often used by investors in making decisions is fundamental analysis techniques that try to estimate future stock prices by estimating the value of fundamental factors that affect future

stock prices. In fundamental analysis, one of the stock valuations is carried out using the Price Earnings Ratio (PER) approach, which is the ratio between the stock market price and earnings per share. Profit is one of the important accounting pieces of information for investors in determining investment decisions. Therefore, earnings are often used as a target for management engineering to prioritize their personal interests and this can harm shareholders or investors (Hidayat et al., 2021).

Price Earnings Ratio (PER) is the financial ratio most widely used by investors to determine whether a stock investment is profitable or not, because the price earnings ratio is one of the tools to measure company performance and can affect the increase or decrease in the company's stock market price. Investors are interested in a high price earnings ratio because it will provide benefits for the increase in stock market prices and reflect good company performance (Martono, 2019). In agency theory (Jensen & Meckling, 1976), it can be explained that the price earnings ratio becomes relevant in the context of the relationship between shareholders (principal) and management (agent) which certainly occurs because of the misalignment of interests, so a conflict of interest arises between the two parties.

This study examines the food & beverage subsector company is one of the subsectors of the primary consumer goods sector which includes companies that carry out the production or distribution of products and services that are generally sold to consumers but for goods that are anti-cyclical or primary / basic goods so that demand for these goods and services is not influenced by economic growth, such as primary goods retail companies-food stores, drug stores, supermarkets, beverage manufacturers, packaged foods, sellers of agricultural products, cigarette manufacturers, household goods, and personal care goods (Shares per sector IDX Industrial Classification - SahamU). The food and beverage industry sector is one of the main motors of growth in the non-oil and gas processing industry supported by abundant natural resources and growing domestic demand. In 2022, the GDP of the food and beverage industry grew by 4.90% with a contribution of 38.35% or the largest to the GDP of the non-oil and gas processing industry. In addition, in 2022 the food and beverage industry were included in the top five industries with the highest export contribution with a value of USD 48.61 billion (kominfo 24-03-2023). The manufacturing industry is still the main driver of the national economy. This is reflected in the consistency of the non-oil and gas processing industry which contributed the most to the national gross domestic product (GDP) with an achievement of 16.30 percent in the second quarter of 2023. "The contribution of the manufacturing sector is still the highest compared to other sectors. This means that our industry is still struggling amid the global economic slowdown. This positive performance is also in line with the achievements of the Indonesian Manufacturing PMI and the Industrial Confidence Index which are still at the expansion level," Industry Minister Agus Gumiwang Kartasasmita said in Jakarta, Tuesday (8/8). The food and beverages sector is one of the sub-

sectors with a high market capitalization value, this happens because in general investors really like the prospect of investment development in the sub-sector, the problem at this time is, most investors become very reluctant to buy shares of companies in the food and beverages sub-sector, because the price offered is too expensive. One of the companies with the highest stock market value is PT Multibintang Tbk, as a result it is very difficult for to sell the shares they have, this shows the liquidity of the shares of food and beverages companies is relatively low <https://kemenperin.go.id/>.

Jakarta, CNBC Indonesia (12 Juli 2023), Launching research data from the Agricultural Data and Information System Center, based on data from the Central Statistics Agency (BPS), until 2020 domestic fresh milk production is only able to meet 22% of national needs, so the remaining 78% comes from imports. Meanwhile, milk consumption is increasing in line with the increasing population, public welfare, economy, etc. Quoting from data from the Directorate of Animal Husbandry and Animal Health of the Ministry of Agriculture, milk demand in 2022 reached 4.4 million tons, this number increased compared to the previous year of 4.3 million tons. One of the issuers of milk producers, PT Ultrajaya Milk Industry Tbk (ULTJ) is quite dominant in the industry or can be called a market leader with a market share of 36% for ultra high temperature (UHT) liquid milk products. Ultra Jaya is also included in the sharia stock category because of its halal-certified business and healthy debt level, recorded until the first quarter of 2023 on an annualized debt equity ratio (DER) basis only at 21.33%. This shows strong capital and its value is higher than the company's liabilities Ultra Jaya's sales over the past five years have also been observed to be on an upward trend, only in 2020 which was observed to have dropped slightly by 4.1% yoy due to the effects of the Covid-19 pandemic. Even so, the upward trend in sales shows that Ultra Jaya's business has recovered. For information, for the latest sales data in the first quarter of 2023 UL TJ recorded sales of IDR 2.23 trillion, up 21.63% on an annual basis (yoy). Sales were dominated by the local market where the beverage segment reached IDR 2.45 trillion and food as much as IDR 26.83 billion. Meanwhile, the export market for beverages was recorded at IDR3.5 billion and food at IDR741 million. The following is a phenomenon related to stock prices in food and beveragesubsector companies.

Five companies in the Food and Beverage Sector on the Indonesia Stock Exchange for the 2016-2020 Period, that PT Mayora Indah Tbk (MYOR) in 2016 experienced a decline in share price of -0.95% from the previous year, in 2017 the share price increased by 0.23%, in 2018 the share price increased again by 0.30%, then in 2019 the share price decreased by -0.22%, and the increase in share price in 2020 was 0.32%. PT Multi Bintang Indonesia Tbk (MLBI) in 2016 had a share price of 0.36%, in 2017 the share price was 0.19%, in 2018 the shares increased again by 0.14%, in 2019 by 0.01%, and in 2020 the shares increased by 0.32% experienced a fairly drastic decline of -0.41%. PT Indofood CBP Sukses Makmur Tbk (ICBP) in 2016 had a share price of -0.36%, then experienced an increase in 2017 of 0.04%, in 2018 of 0.17%, and in 2019 of 0.07%, then in 2020 the share price decreased by -0.14%. PT Nippon Indosari Corpindo Tbk (ROTI) in 2016 had a share price of 0.26%, in 2017 it decreased by 0.20%, and in 2018 it decreased by -0.06%, then in 2019 the share price increased again by 0.08% and 0.05% in 2020. PT Sekar Bumi Tbk (SKBM) in 2016 experienced a decline in share price of -0.32% from the previous year, then in 2017 the shares increased by 0.12%, in 2018 there was another decline in share price of -0.03%, in 2019 by -0.41%, and -0.21% in 2020 (Zahra & Febrianty, 2022).

One of the factors that affect the price earning ratio is return on equity. Return On Equity is the company's ability to generate profit after tax using the company's own capital. The higher the return on equity (ROE) value, the better the company's performance because the more effective the company is in generating profits through its capital. (Batubara et al., 2019). Return on equity is a ratio that measures the company's performance in generating profits that can be obtained by shareholders. This ratio shows how much equity contributes to generating net income or how much net income is generated from each rupiah of funds embedded in total equity. The higher this ratio, the better the company's performance in generating net income and the lower this ratio, the company's performance in generating profits tends to be poor. The higher the company's profit, the company will be considered good by investors so that the company's stock price will increase and be followed by an increase in the company's price earning ratio (Ni Kadek Sri Widiani, I Dewa Gde Bisma, 2022).

The factors that affect the price earning ratio are return on equity (Amelia Amelia & Tri Diana, 2019; Hidayat et al., 2021; Martono, 2019; Ni Kadek Sri Widiani, I Dewa Gde Bisma, 2022; Odelia & Wibowo, 2020; Ramadhani, 2022; Wibowo & Jusmansyah, 2019) and *Dividend payout ratio* (Burta, 2018; Dwi Artati, 2019; Janiman, 2021; Julian, 2020; Misyati, Gayatria Oktalina, 2019; Ridwan et al., 2019; Sijabat & Suarjaya, 2018; Tri Wulandari, Boy Agustinus, 2019; Yosefa et al., 2020; Yulianthini, 2019). In research (Amelia Amelia & Tri Diana, 2019; Firanti Hardianti & Sukma Febrianti, 2021; Heryatno, 2019; Hidayat et al., 2021; Martono, 2019; Ramadhani, 2022; Wibowo & Jusmansyah, 2019) stated that return on equity has a significant effect on price earning ratio. The higher the return on equity, it will affect the price earning ratio, because a high rate of return can be an attraction for investors to a company which will have an impact on the increase in demand for shares on the Exchange. If the company has a high return on equity, the company's price earning ratio will also increase by itself and vice versa, if the company has a low return on equity, the price earning ratio will decrease. This is not in line with research (Batubara et al., 2019; Ni Kadek Sri Widiani, I Dewa Gde Bisma, 2022; Odelia & Wibowo, 2020) which states that return on equity has a negative effect on price earning ratio. Also explained in the research (Burta, 2018; Dwi Artati, 2019; Janiman, 2021; Julian, 2020; Misyati, Gayatria Oktalina, 2019; Ridwan et al., 2019; Sijabat & Suarjaya, 2018; Tri Wulandari, Boy Agustinus, 2019; Yulianthini, 2019) stated that the dividend payout ratio has a positive effect on the price earning ratio. DPR shows that the company is developing so that investors will respond positively. This condition can illustrate the welfare of investors because there is a high return through receiving dividends. Because if the retained earnings are getting smaller, the growth in profits distributed to investors is getting bigger so that the stock valuation of PER will increase. This is not in line with researchers (Yosefa et al., 2020) who state that the dividend payout ratio has a negative effect on the price earnings ratio.

Based on existing phenomena and previous research between variables. So the authors are motivated to conduct research on the type of food and beverage subsector companies and to find out whether the return on equity and dividend payout ratio can affect the price earning ratio, especially in Food and Beverage Subsector Companies 2017-2022. Therefore, the authors are interested in conducting research with the title "The Effect of Return On Equity and Dividend Payout Ratio on Price Earnings Ratio in Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange 2017-2022".

LITERATUR REVIEW

Agency theory

Agency theory or agency theory was popularized by Jensen and Meckling in 1976. (Jensen & Meckling, 1976) define agency theory as a contract in which one or more people (principal) engage another person (agent) to perform some amount of service on their behalf which involves delegating some authority or decision-making authority to the agent. Agency theory or agency theory arises when there are two interrelated parties where the first party agrees to use the services of a particular party. In this case, shareholders as principals and management as agents.

Hypotheses development

Return on Equity on price earning ratio

Based on research that has been conducted by researchers, it is found that return on equity has a positive effect on price earning ratio. This is corroborated by the reason that, the higher the net profit of a company, of course, results in good financial performance indicators, it can increase investor confidence, it will be an advantage for investors that the capital invested is more efficient and of course it is also an attraction for investors in buying the company's shares. Investors are looking for companies that certainly have high growth potential, so a high return on equity can be interpreted as an indication of good growth potential that the company has the ability to grow. This means that when return on equity increases, it will certainly have a significant effect on the price earning ratio. Because the more expensive the stock means that the company's ability to generate net income is good or increasing. This hypothesis is consistent with previous research including (Amelia Amelia & Tri Diana, 2019; Firanti Hardianti & Sukma Febrianti, 2021; Heryatno, 2019; Hidayat et al., 2021; Ramadhani, 2022; Wibowo & Jusmansyah, 2019) which found that return on equity has a positive effect on price earnings.

H₁: Return on Equity has a positive effect on price earning ratio

Dividend Payout Ratio on price earning ratio.

Based on research conducted by researchers, it was found that the dividend payout ratio has a positive effect on the price to earning ratio. Dividend payout ratio is an indicator that reflects the percentage of profit distributed to shareholders in the form of cash. The increase in this ratio indicates that the company has a solid ability to generate profits. Because the increase in dividend payout ratio can be caused by the company's ability to efficiently manage its net income. In addition, another factor that can cause an increase in the dividend payout ratio is the stability of the company's net income. Because the dividend payout ratio will determine the percentage of profit that will be paid to investors as dividends. When the percentage of profit generated by the company increases, it is likely that the dividends that the company will pay to investors will also increase and will increase investor confidence, thereby increasing the company's price to earnings ratio. A high dividend payout ratio contributes to a higher price to earnings ratio because it is profitable for investors, making it an attractive stock for investors looking for dividend income. Conversely, the smaller the dividend payout ratio, the stronger the internal financial strength of the company but

detrimental to shareholders as the company prefers to retain earnings against internal use. Companies with a lower dividend payout ratio are considered more conservative, in creating a higher price to earnings ratio due to lower risk. This hypothesis is supported by researchers (Burta, 2018; Dwi Artati, 2019; Janiman, 2021; Julian, 2020; Misyati, Gayatria Oktalina, 2019; Ridwan et al., 2019; Sijabat & Suarjaya, 2018; Tri Wulandari, Boy Agustinus, 2019; Yulianthini, 2019) which shows that the dividend payout ratio has a positive effect on the price earning ratio.

H₂: Dividend Payout Ratio has a positive effect on price earnings ratio.

RESEARCH METHOD

The data criteria that will be used as samples in this study are as follows: 1. Food & beverage subsector companies listed on the Indonesia Stock Exchange in the period 2017-2022. 2. Food & beverage subsector companies that publish complete annual financial reports 2017-2022. 3. Food & beverage subsector companies that distribute dividends consecutively in the 2017-2022 period. Operational variables can be defined as attributes or properties or values of people, objects or activities that have certain variations set by researchers to study and then draw conclusions. In this study, there are 4 variables developed, namely profitability (return on equity) and dividend payout ratio. Variable operations are used as a guide to researchers on how to measure a variable. In addition, it can be scientific information that is very helpful for other researchers who want to conduct research using the same variables. Variable Return On Equity (ROE) Return on equity is a ratio used to measure the level of income available to company owners on the capital they invest in the company. This ratio shows how much equity contributes to generating net income or how much net income is generated from each rupiah of funds embedded in total equity (Ni Kadek Sri Widiani, I Dewa Gde Bisma, 2022). Dividend Payout Ratio is the percentage of profit that will be paid to shareholders as cash dividends. This ratio looks at the share of the company's earnings paid to shareholders in the form of dividends, which are calculated (Ridwan 2019). Variable Price Earning Ratio is part of the valuation ratio to evaluate financial statements. Price Earning Ratio is also called the price or earnings ratio where this ratio shows the amount that investors are willing to pay for each rupiah of reported profit (Rozi & Asnawi 2019).

RESULTS

Statistical analysis of variables explains the independent variables and independent variables used in this study. The independent variables in question are return on equity and dividend payout ratio and the dependent variable is price earnings ratio. From the research results, the minimum, maximum, average and standard deviation values of each variable used in the observation period 2017 - 2022 will be known. 90 observations (unbalanced) for the 2017 - 2022 research year period. The descriptive statistical explanation of the data above is that the Price Earning Ratio has a range of values between the lowest -92.0 to 46.0 with an average value of 15.7. The food and beverage company with the highest price earning ratio value is Nippon Indosari Corpindo Tbk (ROTI) in 2017. Return On Equity has a range of values between the lowest -3612,0000 to 7132,000 with an average value of 1591,256 The food and beverage company with the highest return on equity value is PT Salim Ivomas Pratama

Tbk (SIMP) in 2022. Dividend Payout Ratio has a range of values between the lowest -15858.00 to 24170.00 with an average value of 4328.189 Food and beverage companies with the highest dividend payout ratio value, namely PT Delta Djakarta Tbk (DLTA) in 2020.

1. Chow Test

Table 1. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.940558	(14,73)	0.0014
Cross-section Chi-square	40.248893	14	0.0002

Source: Processed data (2024)

Based on the results of the Chow Test using Eviews9 states that the probability value of Cross Section F is 0.00 which is less than the significance level value ($\alpha = 0.05$). This means that the best model used is the Fixed Effect Model (FEM). Then the Hausman Test is needed in order to choose the best model between the Fixed Effect Model and the Random Effect Model.

2. Hausman Test

Table 2. Hausman Test

Test Summary	Chi -Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	57.218288	2	0.0000

Source: Processed data (2024)

Based on the results of the Hausman Test, the probability value is 0.00 where this result is less than the significance level value ($\alpha = 0.05$). In this case it means that the best model used is the Fixed Effect Model (FEM). In this case it means that the best model used is the Fixed Effect Model (FEM). The test results using the Fixed Effect Model (FEM) can be concluded that: The independent variable return on equity with a probability value of $0.0175/2 = 0.00875$, is significant at the $\alpha = 5\%$ (0.05) level and seen from the T> count it is found that T count> T table, namely $2.430 > 1.782$. Which means that the hypothesis is accepted, namely return on equity has a positive effect on the price earnings ratio. And statistically it is found that ROE is significant to PER. The independent variable dividend payout ratio with a probability value of $0.0000/2 = 0.0000$, significant at the $\alpha = 5\%$ (0.05) level, and judging from the T> count, it was found that T count> T table, namely $6.557 > 1.782$. Which means that the hypothesis is accepted, namely the DPR has a positive effect on the price earnings ratio.

Hypothesis Test

1. Multiple Regression Analysis

The panel data regression estimation results using the Fixed Effect Model (FEM) show the following results testing with panel data regression, then from these results the model equation is obtained as follows: $PER = 17,03 + 23,36 \cdot ROE + 22.74 \cdot DPR + \varepsilon$

2. Test Coefficient of Determination (R Square)

Table 3. Test Coefficient of Determination

R-squared	0.684943	Mean dependent var	153147.7
Adjusted R-squared	0.615889	S.D. dependent var	153744.5
S.E. of regression	95285.70	Akaike info criterion	25.93557
Sum squared resid	6.63E+11	Schwarz criterion	26.40776
Log likelihood	-1150.101	Hannan-Quinn criter.	26.12599
F-statistic	9.919006	Durbin-Watson stat	2.017419
Prob(F-statistic)	0.000000		

Source: Processed data (2024)

Based on table 6 R-Squared shows a value of 0.684943 which means that 0.68% of the Return On Equity and Dividend Payout Ratio variables can explain the Price Earning Ratio variable.

T test (partial test)

Table 4. Partial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
	17556.03	21706.67		
PER			0.808785	0.4213
ROE	23.35645	9.610426	2.430324	0.0175
DPR	22.74060	3.467987	6.557290	0.0000

Source: Processed data (2024)

The test results using the Fixed Effect Model (FEM) can be concluded that: The independent variable return on equity with a probability value of $0.0175/2 = 0.00875$, is

significant at the $\alpha = 5\%$ (0.05) level and seen from the $T > \text{count}$ it is found that $T \text{ count} > T \text{ table}$, namely $2.430 > 1.782$. Which means that the hypothesis is accepted, namely return on equity has a positive effect on the price earning ratio. And statistically it is found that ROE is significant to PER. The independent variable dividend payout ratio with a probability value of $0.0000/2 = 0.0000$, significant at the $\alpha = 5\%$ (0.05) level, and judging from the $T > \text{count}$, it was found that $T \text{ count} > T \text{ table}$, namely $6.557 > 1.782$. Which means that the hypothesis is accepted, namely the DPR has a positive effect on the price earnings ratio.

DISCUSSIONS

Return On Equity on Price Earnings Ratio

An increase in return on equity will usually be followed by an increase in the company's share price. The higher the company's return on equity with various adequacy of the profit generated after tax using its own capital, the company is considered successful in managing and maximizing the rate of return to shareholders. Then the first hypothesis is accepted. Where, a high return on equity will affect the price earnings ratio, because a high rate of return can be an attraction for investors to a company which will have an impact on increasing demand for shares on the Exchange. If the company has a high return on equity, the company's price earnings ratio will also increase by itself and vice versa, if the company has a low return on equity, the price earnings ratio will decrease. This research is in line with the findings of (Wahyuni et al., 2020) which examines the plantation sub-sector companies in the 2014-2017 period states that return on equity has a positive effect on price earnings ratio. However, these results also contradict research (Ridwan et al., 2019) chemical sub-sector manufacturing companies for the period 2013-2017 which shows that partially return on equity has a negative effect on price earnings ratio.

Dividend Payout Ratio on Price Earnings Ratio

The higher the dividend payout ratio, the weaker the internal financial situation of the company because it shrinks the amount of profit held by the company or retained earnings. A high dividend payout ratio contributes to an increase in the price to earnings ratio because it provides benefits for investors making this an attractive stock for investors who are looking for dividend income. An increase in the number of dividends provided to investors indicates a positive signal to them, suggesting that the company is operating under optimal conditions. Such a situation can attract many investors to make investments, and their investment decisions can affect the increase in stock prices. A rising share price will result in an increase in the price to earnings ratio. This reflects that the higher the dividend given by a company, the higher the price earnings ratio will be, because the high dividend shows a positive indication of the company's prospects. The increase in the dividend payout ratio reflects the company's ability to maximize profits by utilizing funding sources from capital owners.

This finding is in line with research on property, real estate and building construction sector companies for the period 2013-2017 and in research which argues that dividend payout ratio has a positive effect on price earnings ratio. However, this research contradicts the researcher (Yosefa et al., 2020) in property and real estate sector companies for the 2014-2018 period which states that the dividend payout ratio has no effect on the price earnings ratio.

CONCLUSIONS

Based on the results of research conducted on the test of the effect of return on equity and dividend payout ratio on price earnings ratio, the conclusions obtained in this study are: Return on equity has a positive and statistically significant effect on price earnings ratio. This can be seen from the sign on the coefficient in the Fixed Effect Model table as well as the significance value at prob which is below 0.05. From this study it was also found that H_1 was accepted or the hypothesis was accepted as seen from $T_{\text{Count}} > T_{\text{Table}}$. Which means that the higher the return on equity shows that the company can generate high profits from its equity and can attract investor interest, this can cause an increase in the share price which of course affects the company's PER. Dividend payout ratio has a positive and statistically significant effect on price earnings ratio. This can be seen from the sign on the coefficient in the Fixed Effect Model table as well as the significance value at prob which is below 0.05. From this study it was also found that H_2 was accepted or the hypothesis was accepted as seen from $T_{\text{Count}} > T_{\text{Table}}$. Which means that a high dividend payout ratio contributes to a higher price to earnings ratio and the greater the percentage of profit distributed, this is certainly beneficial for investors.

IMPLICATIONS AND LIMITATIONS

This study has several limitations during the process that can affect the results of the study, namely the type of data in this study is secondary data in the form of numbers in the financial statements that have been published by the company. In addition, not all companies publish financial reports, so a research sample is needed. The desired data in the form of journals is difficult to obtain or there are restrictions on access to the data and the variable limitations of the secondary data required in the study. Suggestions for Future Researchers:

1. Future researchers can extend the research period and expand the sample of companies to be used not only focusing on one company sector but adding independent variables so that they can get a clearer picture of what factors affect the price earnings ratio.
2. The company is expected to be able to improve performance by utilizing financial statement information disclosure, which can be an alternative to providing signals to investors.
3. Further researchers can make moderating variables and mediating variables from the relationship between return on equity and dividend payout ratio which has a role as moderation or mediation.

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