AGAINST PROFITABILITY EFFECT ENHANCEMENT PRICE EARNINGS RATIO (PER) IN THE FOOD INDUSTRY AND BEVERAGE REGISTERED IN INDONESIA STOCK EXCHANGE (IDX)

Muhammad Ishlah Idrus
Accounting Department, State Polytechnic of Ujung Pandang, Indonesia
Email: hadanah_77@yahoo.co.id

Abstract: Growth in food and beverage industry that have an impact on increasing the value of shares in the Indonesia Stock Exchange (IDX) is because the sector foods and beverages resulted in a product that is a primary need and have stocks that are most resistant to the economic crisis compared to other sectors because in a crisis situation or not, the majority of food and beverage products still needed by the community. Thus attracting a number of investors which in turn have an impact on the value of its shares on IDX. This study aims to determine the effect of profitability the improvement Price Earnings Ratio (PER) in the food and beverage industry companies listed in Indonesia Stock Exchange (IDX). The type of data in this study using secondary data obtained from the Indonesia Stock Exchange (IDX), the Financial Services Authority (FSA) or other sources. The method used in this research is the method of multivariate analysis of SEM (Structural Equation Modeling). The results of the study explained that if the profitability of the total increase will significantly influence the rising price earnings ratio (PER) in the food and beverage industry companies listed in Indonesia Stock Exchange (IDX). It is clear that the greater the value, the more efficient the profitability of the costs incurred and means greater profits.

Keyword : profitability effect, price earnings ratio, food industry and beverage

I. Introduction

Investment in capital markets may make investors make transactions in the capital market. Investing in stocks is a risky thing, causing a higher rate of profit than the gains from other investments. Food and beverage company is one of the preferred investment alternative investors. Company’s food and beverage industry has a pretty good prospect and tend to demand by investors as one of the targets investments. The cause is the result of this industry tend to be favored by the people such as snacks, energy drinks up drinks in containers. Food and beverage company is a category of consumer goods manufacturing industry where the product is highly needed by people, so the prospect benefit both present and future, in addition to the shares of these companies are stocks that are most resistant to the economic crisis than other sectors because of the condition crisis or not the majority of food and beverage products are still required.

Growth in food and beverage industry that have an impact on increasing the value of shares in the Indonesia Stock Exchange (IDX) is because the sector foods and beverages resulted in a product that is a primary need and have stocks that are most resistant to the economic crisis compared to other sectors because in a crisis situation or not, the majority of food and beverage products still needed by the community. Thus attracting a number of investors which in turn have an impact on the value of its shares on IDX. The industrial sector of food and drink is one of the most attractive investment targets investors today. Stagnant conditions in the various sectors of industrial, food and beverage businesses have the opportunity for growth and employment opportunities. Related to the above, the presence of food and beverage industry are listed on IDX can trigger a backward and forward linkage to the upstream and downstream business which is a derivative product of food and beverage industry, so a positive impact on business development in the agricultural sector.

Companies must be able to optimize its operations through management of working capital investments effectively and efficiently, so it is expected to create maximum profit and provide opportunities for managers to analyze the PER to generate a high level of profitability in the future. The company’s sustainability can be determined by the existence of correspondence between the management of profitability and Price Earnings Ratio is right and able to be implemented continuously. Based on the analysis of the level of profitability can encourage companies to evaluate PER so that the management company becomes easier to maintain and try to increase the value of the company and determines the expenditure policy of the company effectively and efficiently in order to achieve profit growth, as expected. This study will assess the effect of the profitability of the PER on the food and beverage industry companies listed on IDX.
II. Literature

2.1 Literature Review

2.1.1 Grand Theory

Definition of Financial Management by Prawironegoro and Purwanto (2007) is the activity owners and management companies to obtain capital cheaply as possible and use as effective, efficient and productive as possible to make a profit. The purpose of financial management with regard to the decision of the financial sector to maximize its value, more broadly this goal is one of the objectives of the company, and therefore the value of the company will be reflected in the market value of its shares.

2.1.2 Middle Theory

Theories include in this study is spending company that is a discipline that describes the whole activity of the company aimed at acquiring and using capital in a way that is effective and efficient.

Spending has two functions, namely the function of the fulfillment of the financial resource needs and allocation functions or funding. The function of the fulfillment of the source of funds is related to efforts to get the funds as working capital for the company, whereas to function more focused funding to businesses in case the selection of investment alternatives that can generate profits in the long run.

2.1.3 Applied Theory

Theory application in this study consists of: profitability and spending policies of the company. The profitability of a company shows a comparison between the earnings or capital assets that generate such profits. In other words, profitability is the ability of a company to achieve profits.

Thus, the purchase of companies or financial management is none other than the management for functions expenditures. Basically it can be said that the function of spending in the company include:

a. Use/Allocation Of Funds
b. financing; obtaining of funds:
   1) Sources Company Intern
   2) External Source Company

2.2 Understanding and Concepts Financial Ratios

Financial analysis in holding ratio analysis can basically be done in two ways comparison, namely:

a. Comparing current ratios with the ratios of times past or ratios were estimated for the times that will come from the same company.
b. Comparing the ratios of a company with the ratios of one kind of another similar company or industry for the same time.

The intent and purpose of ratio analysis is to provide an assessment of the liquidity, solvency, rentabilitas as well as the activities of a company, so managers can determine the company’s financial development, and will be known the results of the ongoing financial planning for the future.

2.3 Price Earnings Ratio (PER)

Price Earnings Ratio (PER) is the ratio of stock price to earnings per share of a company. Basically PER to give a picture that indicates the ability of the company to return funds at the level of stock prices and corporate profits to a refund on the level of stock prices and corporate profits in a given period within the required time period (Halim, 2005: 27).

PER is a very important factor and investors need to be considered before making an investment decision, because the PER indicates the amount of rupiah that must be paid investors to acquire the company’s earnings rupiah or in other words PER shows the price of one rupiah earnings (Tandelilin, 2001: 191).

Tandelilin (2001: 192) argues PER ratios as follows:

\[
\text{PER} = \frac{\text{the price per share}}{\text{earnings per share}}
\]

PER can mangindikasikan amount of rupiah that should have been paid investors to acquire the company’s profit rupiah. As for the dividend growth model by Brealey and Myers (1991: 683) and Fuller and Russell (1991: 263) as follows:
\[
\frac{P_0}{D_1 (k-g)}
\]

If:
- \(P_0\) = the intrinsic value of the stock
- \(D_1\) = expected dividend
- \(g\) = dividend growth
- \(k\) = the rate of return required by investors

2.4 Market Anomaly

Market anomaly according to Jones (1996: 29) and cited Jogiyanto (2003: 431) is a technique or strategy that seems to contradict the efficient market. Several anomalies were a lot of attention is an anomaly because the low PER strategies (low P/E ratio) and the anomalous effect of firm size.

2.5 Research Accomplished

Clarity of direction and originality as well as benefit from a study conducted empirically, showing clearly on the ability of the researchers to scour deeply about some of the findings of previous studies and related to the position of research is done now. Some previous research findings related to the study of profitability analysis and their influence on Price Earnings Ratio and its impact on company spending policies food and beverage industries listed in (IDX) is as follows:


Daughter research examines the influence of the efficiency of working capital on profitability by using simple regression analysis and correlation. The dependent variable is the profitability, measured by ROI, while the independent variable is the turnover of working capital. From the results of the study found that the efficiency of working capital has a significant influence on the profitability of the company. In the sense that the more efficient working capital of a company that can be seen from the turnover of working capital which more quickly, that the company’s profitability will be higher.

Equations with this research are to use variable profitability and spending on the company’s working capital. While the difference with this study is that the study did not examine the effect of the Price Earnings Ratio of spending policy in working capital. Besides differences in the analysis model used in this study using the analysis simple regression whiles the research to be conducted using Structural Equation Modeling analysis (SEM). The use of SEM analysis is intended to examine the influence of the variable is constructed through the manifest variables (dimension) of each variable.

b. Siswantini (2006)

Research conducted Siswantini reviewing the working capital analysis and its influence on the profitability of manufacturing companies in the IDX. The analysis technique used is multiple linear regression analysis (multiple regressions). The variables studied were profitability as the dependent variable measured by basic earnings power. While the independent variable is the velocity of cash, accounts receivable turnover and inventory turnover. From the results of his research found that the cash turnover negatively affects profitability. In the sense that with the addition of cash turnover will decline in profitability. While the receivables turnover and inventory turnover positive effect on the profitability of the means with the addition of these two variables will increase to profitability.

Equations with this study using a variable profitability and working capital expenditures. While the difference with this study was not examining variables using PER analysis and technical analysis is SEM. The study found that there is simultaneously a variable independent variables affect profitability. Furthermore, the partial showed that the only variable inventory turnover have an influence on profitability. The equation of this study is to assess the profitability variable while the difference was not examine the effect of PER on company spending policy in working capital related to the policy of aggressive, moderate, and conservative.
2.6 Conceptual Framework

![Conceptual Framework Chart](image_url)

2.7 Hypothesis

Based on the formulation of the problem, then the hypothesis in this study is there are significant profitability to increase the Price Earnings Ratio (PER) in the food and beverage industry companies listed in Indonesia Stock Exchange (IDX).

III. Methods

3.1 Methods Used

The method used in this study included in survey research to reveal the facts of a phenomenon that can be evaluated based on a review of theoretical as well as a wide range of previous studies.

The type of data collected is secondary data, quantitative-value ratios derived from the financial statements of the food and beverage industry companies listed in Indonesia Stock Exchange (IDX) in the last 5 years (2008-2013).

The study design grouped into descriptive analysis to provide an overview of data relating to the distribution of profitability and corporate policies that are based on moderate policies, aggressive and conservative undertaken by the food and beverage industry companies listed on IDX. Furthermore, multivariate analysis using Structural Equation Modeling (SEM). This analysis aims to answer the research hypothesis that is verification with a view to explain the causal relationship between these variables and test hypotheses.

3.2 Variable Operationalization

The variables studied were: 1) Profitability variables (ξ1) which is free or exogenous variables are determined by several variables manifest consists of: a variable profit margin (X1.1), a variable net profit margin (X1.2), a variable return on equity (X1.3), the variable return on investment as (X1.4); 2) variable Price Earnings Ratio (η1) is an intervening variable or variables between which is determined by several variables manifest, namely: dividend payout ratio (X2.1), profit margin (X2.2), leverage (X2.3), assets turn over (X2.4) and firm size (X2.5); 3) Policy aggressive working capital of the Company (η2) expressed as an endogenous variable that is determined by a number of manifest variables, namely: an aggressive policy (X3.1), moderate policies (X3.2), and conservative policies (X3.2).

Further Price Earnings Ratio (PER) with the symbol (η1) as an intermediate variable (intervening variable), as well as behavioral innovations with the symbol (η2) as the dependent variable (endogenous variable), while the profitability variable is a variable causes (exogenous variables).

3.3 Determination of Data Sources and Method

The type of data in this study using secondary data obtained from the Indonesia Stock Exchange (IDX), the Financial Services Authority (FSA) or other sources in the form of reports, studies, journals and magazines. The type of data is used; 1) The financial statements of each company’s industry, the Balance Sheet and Profit / Loss, 2)
Against Profitability Effect Enhancement Price Earnings Ratio (Per) in the Food Industry and Beverage Registered in Indonesia Stock Exchange (IDX)

Annex Annual Financial report, 3) Monthly Review during the study period, 4) list prices of stocks and Stock Price Index (CSPI) is a monthly during the study period.

The data used in this research is the company’s financial statements food and beverage industry listed on the Indonesia Stock Exchange (IDX) within the last five years (2008-2013). Thus the population in this study is the whole food and beverage industry companies listed on the IDX. Furthermore, the number of samples used in this study is a saturated sample, where the sample size as large as the study population.

3.4 Data Collection Technique

Search data is collected through technical documentation. Secondary data was collected based on documentation technique which is a technique of collecting data from documents relevant to the problems studied.

3.5 Validity Test Data

As for testing the validity of the data used is a measurement scale is valid when it’s done what it should be implemented and what measures should be measured. When the measurement scale is invalid it will not be useful for research because it does not measure or do what it should do. Therefore the validity of the test used to determine the validity of each item on each variable. Mechanical testing technique used is the correlation with a correlation coefficient of Pearson product-moment is: a way to correlate the scores for each value of the ratio with the following formula:

$$r = \frac{N(\sum XY) - (\sum X \sum Y)}{\sqrt{[N \sum X^2][N \sum Y^2 - (\sum Y)^2]}}$$

if :
- $r$ = The validity coefficient items sought
- $X$ = Scores obtained from the subjects in each item
- $\Sigma X$ = Total score in the distribution of X
- $\Sigma Y$ = Total score in the distribution of Y
- $\Sigma X^2$ = The number of squares on each X
- $\Sigma Y^2$ = The number of squares on each Y
- $\Sigma XY$ = Total score in the distribution of X and Y
- $N$ = Number of Samples

$r$ coefficient significance test performed by $t$ test (significance level of 5%) formula used is as follows:

$$t = \frac{r \sqrt{(n - 2)}}{\sqrt{1 - r^2}}$$

$db = n - 2$

The decision is taken by comparing test $t_{\text{count}}$ with $t_{\text{table}}$. Item valid question is decided when $t_{\text{count}}$ greater than $t_{\text{table}}$. Likewise adjudged to be valid if $t_{\text{count}}$ equal to or smaller than $t_{\text{table}}$. The validity test is one way for the hypothesis test showed a certain direction that is positive.

Value ratio in each subsequent variable validity test to determine the level of validity of the data that will be used to examine the influence between variables. If there are items that are not valid, then performed the repair or redo up to show the whole item is valid. An item is said to be valid if the value of the correlation coefficient obtained is greater than 0.3.

3.6 Test Reliability Instruments

Reliability testing is done after all the items declared invalid and set aside items that are not valid. This test is intended to determine whether each item or the ratio of the variables studied showed the level of precision, accuracy, stability, or consistency.

Test reliability is a term used to indicate the extent to which the measurement results are relatively consistent if measurements were repeated twice or more. Mechanical testing technique used is correlation halved (Split-Half) using the Spearman-Brown formula. Score interval of items consecutive odd summed to obtain a total score of odd parts. Similarly interval sequential items totaled and even obtained a total score hemisphere even. Furthermore, the total score and odd parts correlated using the product moment correlation coefficient of Pearson. The correlation value is obtained internal reliability were then computed using the formula Spearman Brown as follows:
\[ r_i = \frac{2 \cdot r_b}{1 + r_b} \]

If:
- \( r_i \) = Internal reliability of all instruments or question
- \( r_b \) = Product moment correlation between different parts of the first and second parts

The coefficient significance test performed by \( t \) test (significance level of 5%) formula used is an item considered valid if the value of the correlation coefficient obtained is greater than 0.7 (Sugiyono, 2008: 359). The formulations used in this case are as follows:

\[
t = \frac{r_i \sqrt{(n - 2)}}{\sqrt{1 - r_i^2}}; \quad df = n - 2
\]

The decision is taken by comparing test \( t_{\text{count}} \) with \( t_{\text{table}} \) value. Instruments decided reliably when \( t_{\text{count}} \) greater than \( t_{\text{table}} \). Likewise decided not reliable when \( t_{\text{count}} \) equal to or smaller than \( t_{\text{table}} \).

### 3.7 Draft Data Analysis and Testing Hypotheses

#### 3.7.1 Draft Analysis Data

The data were analyzed through three stages, namely: 1) preparation of the completeness of a number of instruments, 2) tabulation of the data obtained, and 3) the application in accordance with the approach used in research purposes.

Descriptions of each qualitative variables, each variable categorized into four (4) categories of quality, namely: low, less, enough, and height. Categorization is done by reviewing the total score variable positions within the limits of a minimum value, first quartile, median, third quartile, and the maximum that can be achieved (Al Rashid, 1994: 128) as follows:

- Minimum \( \leq \) total score < Quartile I = Low
- Quartile I \( \leq \) total score < Median = Less
- Median \( \leq \) total score < Quartile III = Enough
- Quartile III \( \leq \) total score \( \leq \) Maximum = High

SEM analysis is then performed to assess: 1) the relationship between the independent variables and its influence, either simultaneously (together) or partially (respectively), intervening variable; 2) the effect of the variable on the dependent variable; and 3) the influence of the independent variables on the dependent variable, either directly or indirectly through intermediate variable.

#### 3.7.2 Hypothesis testing

Based on the hypothesis, the variables are divided into two types, namely: exogenous and endogenous variables. Exogenous variables (\( \xi \)) in this study is the profitability (\( \xi_1 \)), intervening variables (\( \eta \)) is the Price Earnings Ratio (\( \eta_1 \)) and aggressive working capital policy variables (\( \eta_2 \)). Further testing the hypothesis empirically using Structural Equation Modeling (SEM) through the use lisrel software Version 8.5.

SEM analysis aims to explain the direct and indirect result of exogenous variables on endogenous variables and endogenous variables to other endogenous variables. Some of the steps taken in the use of test equipment SEM according Hair (2006) are as follows:

a. Developing a Theory-Based Model

The model is built based on this theory shows the interaction between profitability, price-earnings ratio, and spending policies in the company’s working capital. The first test was conducted to determine how the influence of variables profitability to Price Earnings Ratio (PER). Further testing to determine the effect PER against the aggressive policy of working capital of the company. Then the effect of profitability on an aggressive policy of working capital the company either directly or indirectly through the PER.

b. Prepare Line Diagram (Path Analysis)

Compiling the path diagram in advance where the research hypothesis is described within the framework of the relationship between variables groove. Furthermore, by using SEM analysis to
measure the strength of the relationship between the manifest variables (dimensions) with latent variables.

IV. A General Description of the Company

4.1 A Brief History of the Company

The Jakarta Stock Exchange was first opened on December 14, 1912, with the assistance of the Dutch government, was established in Batavia, the Dutch colonial government center that we know today with Jakarta. The Jakarta Stock Exchange used to be called Call-Effect.

The stock exchange earlier demand-following, but after 1977 are supply-leading, meaning that when the market opened to the public understanding of the stock exchange was minimal so the BAPEPAM should play an active role in introducing direct exchange.

Indonesia Stock Exchange IDX abbreviated, or Indonesia Stock Exchange (IDX) is a result of a merger of exchanges Jakarta Stock Exchange (JSX) and Surabaya Stock Exchange (BES). For the sake of operational effectiveness and transactions, the Government decided to merge the Jakarta Stock Exchange as the stock market with the Surabaya Stock Exchange as bonds and derivatives markets. Bursa result of this merger began operations on December 1, 2007.

V. Result

5.1 Testing Assumptions SEM

5.1.1 Normality assumption

Data normality test is used as a condition to process the data using the estimation method Maximum Likelihood (ML). Fulfillment of normality can avoid bias and inefficiency results. Normality test was measured using the criteria of the critical ratio of ±2.58 at a significance level of 1% (0.01).

Table 1. Assumptions Normality Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>min</th>
<th>max</th>
<th>skew</th>
<th>c.r.</th>
<th>kurtosis</th>
<th>c.r.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FS</td>
<td>1.124</td>
<td>5.000</td>
<td>-1.293</td>
<td>-7.919</td>
<td>.268</td>
<td>.819</td>
</tr>
<tr>
<td>LEV</td>
<td>.469</td>
<td>5.000</td>
<td>5.236</td>
<td>32.066</td>
<td>1.383</td>
<td>1.462</td>
</tr>
<tr>
<td>TCM</td>
<td>.608</td>
<td>5.000</td>
<td>3.979</td>
<td>24.368</td>
<td>1.240</td>
<td>1.848</td>
</tr>
<tr>
<td>DPR</td>
<td>.343</td>
<td>5.000</td>
<td>.906</td>
<td>5.547</td>
<td>2.009</td>
<td>1.389</td>
</tr>
<tr>
<td>ROI</td>
<td>.271</td>
<td>5.000</td>
<td>8.426</td>
<td>51.602</td>
<td>1.275</td>
<td>1.646</td>
</tr>
<tr>
<td>ROE</td>
<td>.296</td>
<td>5.000</td>
<td>13.269</td>
<td>81.257</td>
<td>1.825</td>
<td>2.032</td>
</tr>
<tr>
<td>NPM</td>
<td>.320</td>
<td>5.000</td>
<td>-4.141</td>
<td>-25.357</td>
<td>4.493</td>
<td>1.295</td>
</tr>
<tr>
<td>PM</td>
<td>.398</td>
<td>5.000</td>
<td>-3.643</td>
<td>-22.311</td>
<td>3.483</td>
<td>1.397</td>
</tr>
<tr>
<td>Multivariate</td>
<td>4.810</td>
<td>2.218</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data Processed (2016)

The test results demonstrate the value of C.R multivariate normality of 2.218 and are located between the values of -2.58 to +2.58 so multivariate it can be said that the normality assumption is met.

5.1.2 Assumptions Outliers

Outliers are observations that are unique, in which the characteristics differ greatly from the observations of others. Outliers can be detected from the extreme values that emerge from the overall total observation. One evaluation conducted univariate outliers is to determine a threshold value that would be categorized as outliers by converting the value of research data into standard scores, and evaluation of outliers in multivariate by using Mahalanobis distance for each observation. Mahalanobis distance shows the distance from an observation of the average of all the variables in a multidimensional space. The criteria used are based on the value of Chi-Square at the level of degrees of freedom (degree of freedom) and in particular the significance level (alpha) specific.

Table 2. Results of Test assumptions Outliers

<table>
<thead>
<tr>
<th>Observation number</th>
<th>Mahalanobis d-squared</th>
<th>p1</th>
<th>p2</th>
</tr>
</thead>
<tbody>
<tr>
<td>215</td>
<td>13.392</td>
<td>.099</td>
<td>.303</td>
</tr>
<tr>
<td>89</td>
<td>12.976</td>
<td>.113</td>
<td>.476</td>
</tr>
<tr>
<td>93</td>
<td>12.715</td>
<td>.122</td>
<td>.567</td>
</tr>
<tr>
<td>214</td>
<td>11.237</td>
<td>.189</td>
<td>.996</td>
</tr>
</tbody>
</table>
Against Profitability Effect Enhancement Price Earnings Ratio (Per) in the Food Industry and Beverage Registered in Indonesia Stock Exchange (IDX)

<table>
<thead>
<tr>
<th>Observation number</th>
<th>Mahalanobis d-squared</th>
<th>p1</th>
<th>p2</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>11.197</td>
<td>.191</td>
<td>.995</td>
</tr>
<tr>
<td>225</td>
<td>11.010</td>
<td>.201</td>
<td>.997</td>
</tr>
<tr>
<td>34</td>
<td>9.948</td>
<td>.269</td>
<td>1.000</td>
</tr>
<tr>
<td>223</td>
<td>9.314</td>
<td>.317</td>
<td>1.000</td>
</tr>
<tr>
<td>218</td>
<td>9.145</td>
<td>.330</td>
<td>1.000</td>
</tr>
<tr>
<td>188</td>
<td>8.992</td>
<td>.343</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Research Data Processed (2016)

The test results demonstrate the value of Mahalanobis assuming outliers are small so there were no outliers in the data outlier’s research so assumptions are met.

5.2 Confirmatory Factor Analysis

Confirmatory analysis aims to ensure that the indicators used properly define the latent variables are observed, where the value of the loading factor greater than 0.5 indicates that the indicators were eligible for use in the model SEM.

Profitability variables there are four indicators, namely Profit Margin (PM), Net Profit Margin (NPM), Return on Equity (ROE) and Return on Investment (ROI). The test results of confirmatory factor analysis are presented below.

**Table 3. Results of Factor Analysis**

<table>
<thead>
<tr>
<th>Label</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>PM</td>
<td>Profitability</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPM</td>
<td>Profitability</td>
<td>1.190</td>
<td>.125</td>
<td>9.555</td>
<td>***</td>
</tr>
<tr>
<td>ROE</td>
<td>Profitability</td>
<td>.389</td>
<td>.079</td>
<td>4.915</td>
<td>***</td>
</tr>
<tr>
<td>ROI</td>
<td>Profitability</td>
<td>.735</td>
<td>.077</td>
<td>9.546</td>
<td>***</td>
</tr>
<tr>
<td>DPR</td>
<td>PER</td>
<td>.303</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TCM</td>
<td>PER</td>
<td>.172</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEV</td>
<td>PER</td>
<td>.223</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS</td>
<td>PER</td>
<td>.095</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data Processed (2016)

Results of confirmatory factor analysis to Profitability shows the value of the loading factor of more than 0.500 and less than 0.050 significance values so that all indicators Profitability is valid and can be used later in the process.

5.3 Goodness of Fit Model

Testing Goodness of Fit models used to test the feasibility SEM models for use in testing the hypothesis described in the study. Goodness of fit is used, among others, the value of Chi-Square and the p-value, the value of GFI and AGFI, RMSEA value, and the value of TLI and CFI.

**Table 4. Results Goodness of Fit**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMIN</td>
<td>16.182</td>
</tr>
<tr>
<td>p-value</td>
<td>&gt; 0.050</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>&lt; 5.000</td>
</tr>
<tr>
<td>GFI</td>
<td>&gt; 0.900</td>
</tr>
<tr>
<td>AGFI</td>
<td>&gt; 0.900</td>
</tr>
<tr>
<td>NFI</td>
<td>&gt; 0.950</td>
</tr>
<tr>
<td>TLI</td>
<td>&gt; 0.950</td>
</tr>
<tr>
<td>CFI</td>
<td>&gt; 0.950</td>
</tr>
<tr>
<td>RMSEA</td>
<td>&lt; 0.080</td>
</tr>
</tbody>
</table>

Source: Research Data Processed (2016)

Goodness of fit test results show nearly all the test criteria meet the set value, so that the model can be used SEM.
5.4 Hypothesis testing

Based on the results of statistical tests have been used, all hypotheses are tested to meet the requirements or can be used as a measurement model in the study. Based on the results of hypothesis testing, presented the following results.

The test results influence the profitability of the Price Earnings Ratio values obtained 0.916 $t$ statistic is less than the value of $t$ Table 1960 so there is no significant effect between the profitability of the aggressive policy.

The coefficient of influence between the profitability of the Price Earnings Ratio of -0.0156 showed a negative influence, it means an increase in profitability would decrease the price earnings ratio, although not significantly.

VI. Conclusions and Recommendations

6.1 Conclusion

Based on the analysis and discussion that has been done, then the conclusion can be drawn from this study is the effect of Profitability to Price Earnings Ratio (PER) shows that, if the profitability of the total increase will have a significant effect on the increase in PER. Profitabilitas is the end result of a variety of policy and management decisions. Profitability provide answers about the effectiveness of management. The larger the value, the more efficient the profitability of the costs incurred and means greater profits. If the stock price reflects the capitalization of expected future earnings, the increase in profits will increase PER.

6.2 Recommendations

Based on the conclusions and limitations in this study, then that becomes suggestion in this study, among others, in increasing profitability through the Net Profit Margin (NPM), then the decision should be taken by the management company must increase sales in order to generate high profits because the greater the NPM, then the company’s performance will be more productive. Moreover, in improving the PER through Total Contribution Margin (TCM) can be done by increasing sales which directly affect the increase in revenue. TCM can be calculated using the contribution margin in the currency or per unit.

References