

ABSTRACT

“The Factors affecting Price Earnings Ratio: A case study in Indonesia consumer goods industry”

This research examined the factors that affects price earnings ratio in Indonesia consumer goods industry. The factors identified in this research are leverage, earnings growth, dividend payout ratio, corporate size, variability in market price, market return as company-related factors, and inflation as macroeconomic factors.

This research used two model to determine the factors related to the company and macroeconomic factor that affect price earnings ratio. The sample used in this research consist of 21 companies in consumer goods industry picked using purposive sampling method with period of 2010-2013 and inflation from 2008-2013. The methods used for analysis in this research are multiple regression analysis for first model, and simple linear regression analysis for second model.

The results on the first model suggested that, (1) There are positive and significant effect from leverage, corporate size, variability in market price, and market return to price earnings ratio, (2) There is positive but insignificant effect from dividend payout ratio to price earnings ratio, and (3) There is negative and significant effect from earnings growth to price earnings ratio. The result from the second model suggested that there is negative but insignificant effect from inflation to price earnings ratio of consumer goods industry.

Keywords: *price earnings ratio, leverage, earnings growth, dividend payout ratio, corporate size, variability in market price, market return, inflation*