ABSTRACT

Price Earning Ratio is one of simple approach to foresee the valuation of stock in market. Hopefully, this approach is useful to be applied by investors and also stock researchers. PER approach is made based on financial ratio of the company whose release the stock since this financial ratio can represent the operational performance of the company itself. Therefore, research on those financial ratios which are predicted effecting PER needs to be done.

This research is aimed to analyze financial ratio influencing PER of banking companies listed in Indonesian Stock Exchange. The financial ratios could be Capital Adequacy Ratio (CAR), Loan to Assets Ratio (LAR), Loan to Deposit Ratio (LDR), and Net Profit Margin (NPM). The samples are taken from 20 banking companies listed in Indonesian Stock Exchange on 2005 – 2008. Thus, the analysis technique is Multiple Linear Regressions. F-test and t-test was used to test the hypotheses with α equal to 5%.

The results showed that only CAR significantly influencing PER in partial. While simultaneous test states that all variables are not significantly affecting PER. The regression model has good-of-fitness value of 5.5% (Adjusted R-Square). It means that the independent variables can only have 5.5% accuracy in predicting PER value, while the 94.5% affected by others variables which out of this research scope.

The inaccuracy of those financial ratios in predicting PER caused by the observation data was taken on crisis period.

Key words: Capital Adequacy Ratio, Loan to Asset Ratio, Loan to Deposit Ratio, Net Profit Margin, Price Earning Ratio, Banking stock