THE EFFECT OF THE FINANCIAL RATIO ON COMPANY VALUE OF PHARMACEUTICAL COMPANIES LISTED IN INDONESIA STOCK EXCHANGE IN 2013 -2016

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ABSTRACT

This study aims to determine the effect of financial ratios on the value of pharmaceutical companies listed on the Indonesia Stock Exchange (BEI) during the period 2013-2016, either partially or simultaneously. The financial ratios studied are: current ratio (CR), debt to equity ratio (DER), return on assets (ROA), total assets turn over (TATO) and price earnings ratio (PER). The population in this study is a pharmaceutical company listed on the Indonesia Stock Exchange (BEI) in 2013 to 2016. Research samples of 10 pharmaceutical companies obtained by purposive sampling technique. Data collection techniques used is documentation. Data analysis was done by panel data analysis technique. The results showed that partially ROA, TATO and PER variables significantly influence the firm value, while CR and DER have no significant effect. Simultaneously variable CR, DER, ROA, TATO and PER have an effect on to company value. CR, DER, ROA, TATO and PER variables can explain the value of companies in pharmaceutical companies listed in Indonesia Stock Exchange (BEI) in the year 2013-2016 for 82,65%.
Keywords: Fundamental factors, financial ratios, current ratio (CR), debt to equity ratio (DER), return on assets (ROA), total asset turnover (TATO,) price earnings ratio (PER), and company value.

1. INTRODUCTION

1.1 Background Research

The economy is closely linked to the capital market with the Jakarta Composite Index (IHSG) indicator, which at all times changes or rises. The capital market has a function as a means of funding for companies and other institutions, and as a means for investing activities. Thus, the capital market facilitates various facilities and infrastructure for the activities of buying and selling securities and other related activities. So the capital market has a big role for the economy of a country because the capital market carries out two functions at once, economic functions and financial functions.

In the capital market, investors make decisions to buy or sell shares. In this case, investors have a function as market participants that determine whether a stock is worthy of collection or not in its portfolio; therefore investors must be careful in making decisions. Investors need to comprehend the analysis of the fundamental factors of issuers listed on the stock exchange beside technical factors.

Factors that determine investors in decision making in this study are fundamental factors, those are: current assets (CR), debt to equity ratio (DER), return to assets (ROA), total asset turnover (TATO), and price earnings ratio (PER) . Then analyzed and compared with the company's stock market price.

The subject of this research is the pharmaceutical industry. It is because the pharmaceutical industry in Indonesia has a pretty good prospect, this is seen from the number of Indonesian population, amounting to approximately 230 million [2], also government policies in the form of *BPJS Kesehatan* so the

pharmaceutical industry market share is very promising. The pharmaceutical industry listed on the Indonesian stock exchange is 11 (eleven) [1] companies that are fighting over the domestic market.

This statement was expressed by Lutfi, chairman of the IPMG: "The turnover of the pharmaceutical industry is expected to grow 9% in 2016 to IDR 61 trillion compared to last year's IDR 56 trillion. This growth was mainly driven by an increase in sales of generic drug products, in line with the growing development of the National Health Insurance program (JKN). "This year the pharmaceutical industry can achieve better growth than last year. Even though it has not been able to be double digit. To reach 9%, it is still possible," said General Pharmaceutical Manufacturers Group (IPMG) Chairman, Luthfi Mardiansyah, at the 2016 Pharmaceutical Industry Outlook event in Jakarta, Wednesday (3/2). Lutfi explained that the national pharmaceutical industry's turnover last year grew only 7.6% from IDR 52 trillion in 2014 to IDR 56 trillion. "We believe that this year will be better, along with the development of the National Health Insurance program," he said.

In line with the opinion of the Chair of the Association of Pharmacists - the pharmaceutical industry has not experienced a weakening market. The high growth of the pharmaceutical industry in 2015 made businesses optimistic that the industry could grow double digits this year. Last year the industry's growth in turnover was quite significant, up to 20 percent. That figure exceeds the initial target of growth, " said the Chairman of the East Java Pharmaceutical Entrepreneurs Association (GP) Paul Totok Lusida yesterday (10/1).

Paul Totok Lusida said, the initial target of the pharmaceutical industry's turnover last year was IDR 60 trillion. The realization, the industry turnover could be in the amount of IDR 65 trillion. "This year, in turn, there is a growth of 20 percent," he said. Totok explained that 60 percent of turnover came from the BPJS (Social Security Administering Agency) program. In terms of type of medicine, the majority of about 80 percent of drugs circulating on the market are generic drugs. The remaining 20 percent is a patent drug. " This industry has also experienced several price corrections. In the early year, the pharmaceutical industry corrected the price of 15-25 percent, " he explained. Price corrections were made because of the high dependence on imported raw materials. In the pharmaceutical industry, 90 percent of raw materials for production come from imports.

According to Totok, the industry needs incentives in raw materials so as not to depend on imports. "Companies that want to invest in pharmaceutical raw materials must be facilitated so they do not depend on imports. In addition, the permission is permitted easier, " he said. In addition, Totok stated that the pharmaceutical industry in Indonesia is actually resistant to foreign attacks. "This industry standard is clear. Industry doers of the outside pharmaceutical industry cannot just enter because there are conditions, the same as health workers," he said. Totok also said, in ASEAN, Indonesia is one of the strongest doers in the industry. As much as 70-80 percent of the industrial market is filled with local doers.The rest just imports. In fact, for generic drugs, 10 percent has been exported to several ASEAN countries. Jawapos.com (vir/c14/tia).

Table 1
List of Population and Sales of the Pharmaceutical Industry
In Indonesia 2013 – 2016

Period	Number of Population	Pharmacy Sales (Trillion IDR)
2013	249,9 million	51
2014	253,8 million	52
2015	255,5 million	56
2016	258,7 million	61

Source: Central Statistics Board, Indonesian Pharmacommunity and beritasatu.com

Associated with the above exposure, the authors are interested in conducting research entitled "*factors that determine investors in making decisions to buy shares in the pharmaceutical industry sector*".The fundamental analysis used in this study is Current Ratio (CR), Debt to Equity Ratio (DER), Return to Assets (ROA), Total Assets Turn Over (TATO) and Price Earning Ratio (PER) as independent variables and Company Value as the dependent variable with the measuring instrument is the stock price of the issuer in the capital market.

According to Fahmi (2012: 86), by buying and owning shares, investors will get several benefits, namely capital gain (the difference between the purchase price and the selling price), also by obtaining a dividend (the profit sharing provided by the company comes from the profit generated company), and have voting rights for ordinary shareholders.

1.2 Identification of the Problems

Based on the background of the research described above, the writer identify the following problems: Are fundamental factors: Current Ratio (CR), Debt to Equity Ratio (DER), Return to Assets (ROA), Total Turnover Assets (TATO) and Price Earning Ratio (PER) affect the value of the company in the pharmaceutical industry companies listed on the Indonesia stock exchange for the period 2013 to 2016.

1.3 Framework Theory

Based on the identification of the problem above and to avoid the expansion of the discussion in this study, the research is limited to the factors that influence stock prices, those are the current asset ratio (CR), debt to equity ratio (DER), return to assets (ROA), total assets turnover (TATO), and price earnings ratio (PER) on stock prices in pharmaceutical companies listed on the Stock Exchange in 2013-2016.

Thus, the framework of thinking is as follows:

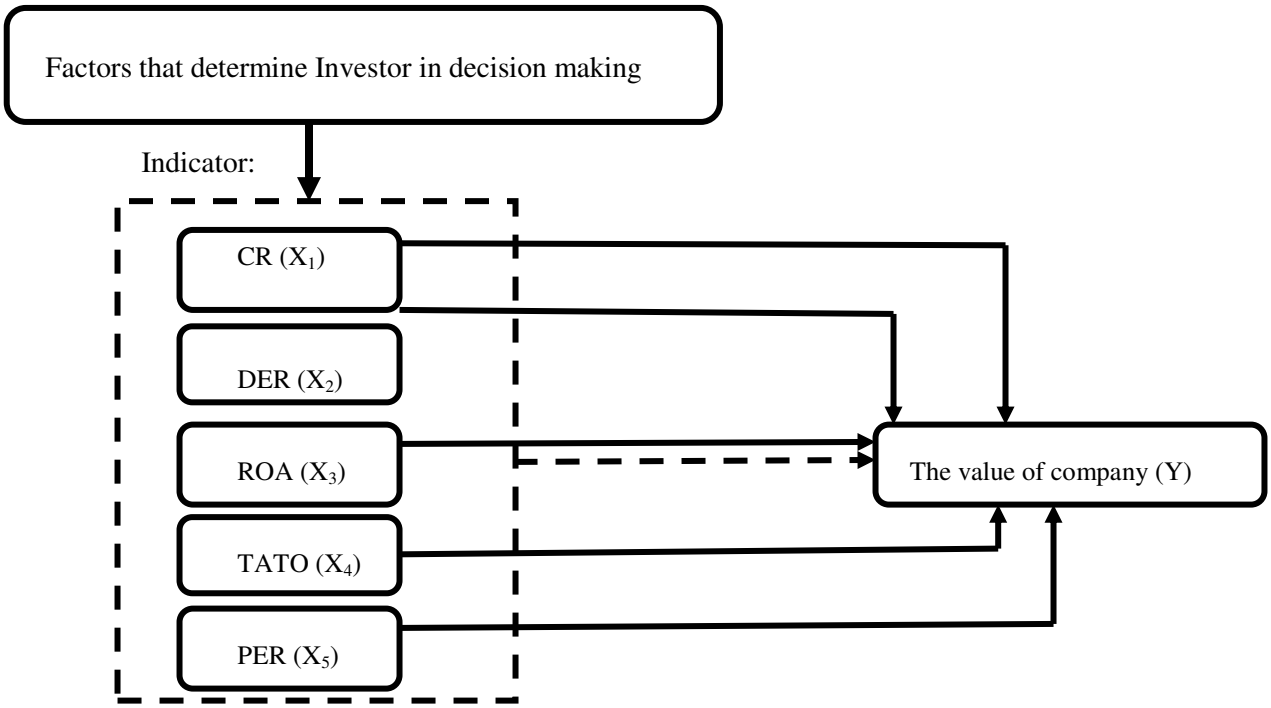

Figure 1. Research Paradigm

Note:

→ : Effect of independent variables on the dependent variable partially

- - - → : Effect of independent variables on the dependent variable simultaneously.

Research Hypothesis

Hypothesis:

Ha: Factors that determine investors in decision making: Current Ratio (CR), Debt to Equity Ratio (DER), Return to Assets (ROA), Total Assets Turn Over (TATO) and Price Earning Ratio (PER) affect the firm's value on Pharmaceutical industry companies listed on the Indonesia stock exchange for the period 2013 to 2016

H0: Factors that determine investors in decision making: Current Ratio (CR), Debt to Equity Ratio (DER), Return to Assets (ROA), Total Assets Turn Over (TATO) and Price Earning Ratio (PER) have no effect on firm value in pharmaceutical industry companies listed on the Indonesia stock exchange for the period 2013 to 2016.

1.4 Objective to the Study

The purpose of this study was to determine the effect of the factors that determine the investor in making decisions on the value of the pharmaceutical industry companies listed on the Indonesia stock exchange for the period 2013 to 2016.

2. THEORY

2.1 Signaling Theory

Signaling theory states that a good quality company will give a good signal to the market, thus the market is expected to distinguish good and bad quality companies. In order for the signal to be effective, the value of the company must be captured by the market and perceived properly, and not easily replicated by poor quality companies (Megginson, 1987). Cues or signals are actions taken by company management to provide guidance to investors about how management contemplates the company's prospects. Brigham, Eugene, and Houston (2013) said that investors consider changes in financial information as a signal of management's earnings estimates. Furthermore, it was explained that signal theory emphasizes the importance of information that is published by the company on investment decisions by investors or outside parties. Information is an important element for investors and business people to see the company's past, present and future forecasts.

2.2 Definition of Fundamental Analysis

According to Tjiptono and Hendy (2006: 189), fundamental analysis is one way to conduct stock valuation by studying or observing various indicators related to macroeconomic conditions and industrial conditions of a company including various financial indicators and company management.

Thus, fundamental analysis is an analysis based on various real data to evaluate or project the value of a stock. Some data or indicators commonly used are income, profit, sales growth, yield or return on equity (return on equity), profit margin (profit margin), and other financial data such as earnings per share (earnings per share) as a means to assess the company's performance and future growth potential.

According to Tandelilin (2010: 363), in conducting a fundamental analysis, investors can choose companies that are eligible to be used as alternative investments, choosing company shares whose market prices are lower than the intrinsic value so that they are proper to buy, and choosing company shares with higher market prices which is higher than intrinsic value so it is profitable to sell. Before choosing a company to be an alternative investment, investors must be careful in choosing a company because not all stocks of companies that are classified as large companies are always a good investment alternative. To find out the stock of a company is worthy of being an investment choice, then the investor must first analyze the company.

2.3 Financial Ratio

1. Current Ratio (CR)

Current ratio is the ratio that compares the value of current assets with short-term current debt. According to Edmonds, Olds, McNair and Tsay (2012: 326), Current Ratio, also called the working capital ratio is the financial ratio that compares between current assets owned by companies and short-term debt.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\ \%$$

2. Debt to Equity Ratio (DER)

According to Edmonds, Olds, McNair and Tsay (2012: 329), Debt to Equity Ratio, the ratio measures the debt to equity ratio compared to the creditor financing to owner financing has a meaning to a ratio that describes the ratio of debt and equity in company funding and shows ability the company's own capital to fulfill all of its obligations. According to Kasmir (2010: 157), Debt to Equity Ratio is the ratio used to assess debt with equity. This ratio is useful for knowing the amount of funds provided by the borrower with the company owner.

$$\text{Debt to Equity ratio} = \frac{\text{Total Liabilities}}{\text{Total Stockholders' equity}} \times 100\ \%$$

3. Return On Assets ratio (ROA)

According to Edmonds, Olds, McNair and Tsay (2012: 332), Return on Asset, or earning power, is the ratio of wealth generated (net income) to the amount invested (average total assets) to generate the wealth. ROA can be calculated as follows:

$$\text{Return on Assets Ratio} = \frac{\text{Net Income}}{\text{Average total assets}} \times 100\ \%$$

4. Total Assets Turnover (TATO)

According to Sutrisno (2009: 210), Total Assets Turnover is a measure of the effectiveness of asset utilization in generating sales. According to Kasmir (2010: 185), Total Assets Turnover is a ratio used to measure the turnover of all assets owned by a company and measure how much sales are obtained from each rupiah (IDR) asset.

$$\text{Total Assets Turnover} = \frac{\text{Net Sales}}{\text{Average Total Assets}} \times 100\ \%$$

5. Price Earnings Ratio (PER)

Price Earnings Ratio is a ratio that is commonly used to measure the market price (market price) of each common stock with profit per share. According to Henry Simamora (2000: 529) Price earnings ratios reflect investors' assessment of future earnings. According to Darmaji and Henry (2001: 139) *Price Earnings Ratio* according to Edmonds, Olds, McNair and Tsay (2012: 334-335) compares the earning per share of company to the market price for a share of the company's stock.

$$\text{Price Earnings Ratio} = \frac{\text{Market Price per Share}}{\text{Earnings per share}}$$

2.4 Company Value

Firm value is the present value of the cash flow expected by the company, or the value of the future company discounted at the level of capital costs. Some value concepts that explain the value of a company are nominal value, market value, intrinsic value, book value and liquidation value (Manurung, 2004: 5), in this study the value of the company is measured by the stock market value of the issuer at **closing price in the end of the year**.

3 RESEARCH METHODS

3.1 Research Objects

Objects in this study are the fundamental factors and stock prices of pharmaceutical industry companies listed on the Indonesian stock exchange with the following details:

Table 2
Pharmacy Industry Listed in Indonesia Stock Exchange (Population)

No	Emiten Code	Company Name (Emiten)	Date of the listed
1	DVLA	Darya Varia Laboratories, Tbk	November 11, 1994
2	INAF	Indo Farma, Tbk	April 17, 2001
3	SIDO	Industri Jamu dan Farmasi Sido Muncul, Tbk	December 18, 2013
4	KAEF	Kimia Farma (Persero), Tbk	July 04, 2001
5	KLBF	Kalbe Farma, Tbk	July 30, 1991
6	MERK	Merck, Tbk	July 23, 1981
7	PYFA	Pyridam Farma, Tbk	October 16, 2001
8	SCPI	Merck Sharp Dohme Pharma, Tbk	June 08, 1990
9	SQBB	Taisho Pharmaciutical Indonesia, Tbk	Mart 25, 1983
10	TSPC	Tempo Scan Pasific, Tbk	June 17, 1994
11	IGAR	Champion Pacific Indonesia, Tbk	November 05, 1990

Source: IDX.co.id

3.2 Sampling Techniques

The population of this research is the pharmaceutical industry listed on the Indonesia stock exchange, the research period of 2013 to 2016, which publishes the annual report by taking a sample based on consideration of certain criteria (purposive sampling). Based on the search results at IDX.co.id, SCPI in 2016 had not published annual reports and audit report, therefore the number of samples is 10 pharmaceutical industry companies as follows:

Table 3
Sample Observation Pharmacy Industry Listed in Indonesia Stock Exchange (Sample)

No	Emiten Code	Company Name (Emiten)	Date of the listed
1	DVLA	Darya Varia laboratories, Tbk	November 11, 1994
2	INAF	Indofarma, Tbk	April 17, 2001
3	SIDO	IndustriJamu dan Farmasi Sido Muncul, Tbk	December 18, 2013
4	KAEF	Kimia Farma (Persero), Tbk	July 04, 2001
5	KLBF	Kalbe Farma, Tbk	July 30, 1991
6	MERK	Merck, Tbk	July 23, 1981
7	PYFA	PyridamFarma, Tbk	October 16, 2001
8	SQBB	Taisho Pharmaciutical Indonesia, Tbk	Mart 25, 1983
9	TSCP	Tempo Scan Pasific, Tbk	June 17, 1994
10	IGAR	Champion Pacific Indonesia, Tbk	November 05, 1990

Source: IDX.co.id

3.3 Types and Data Sources

The type of data used in this study is secondary data, that is the pharmaceutical industry annual financial report with the data: *current ratio, debt to equity ratio, return on assets,total assets turn over*, and *price earnings ratio and market price* obtained from the official website of the Stock Exchange Indonesia (IDX).

3.4 Operational variables

This study uses two variables: those are independent variables and dependent variables. Dependent variable (Y) is the company value seen from the stock price and the independent variable (X) is the fundamental factors in the form of *current ratio (X_1), debt to equity ratio (X_2), return on assets (X_3), Total assets turn over (X_4), and Price earnings ratio (X_5).*

3.5 Data Analysis Techniques

3.5.1 Description Analysis

According to Nazir (2011: 54) descriptive analysis is:

"Descriptive method is a method of examining the status of a group of people, or subjects, a set of conditions, a system of thought, or a class of events in the present". In this study were a group of pharmaceutical industries listed on the Indonesia stock exchange from 2013 to 2016.

3.5.2 Panel Data Regression Model

To determine the effect of fundamental factors on stock prices used multiple regression models with analysis using eviews 8.10 as follows:

$$\mathbf{Y= a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5}$$

Y = Company Value (stock price)

a = Constanta

b_1= coefficient regression current ratio

b_2= coefficient regression debt to equity ratio

b_3= coefficient regression return on assets

b_4=coefficient regression total assets turn over

b_5= coefficient regression price earnings ratio

X_1= current ratio

X_2= debt to equity ratio

X_3= return on assets

X_4= total assets turn over

X_5= price earnings ratio

3.5.4 Hypothesis Test

To test the hypothesis, t test and F test are used.

1. t test

Partial hypothesis testing using t test, the steps of the t test are as follows:

1. Formulate a hypothesis

Ho: p = 0, there is no influence of fundamental factors on stock prices

Ha: p ≠ 0, there is an influence of fundamental factors on stock prices

2. Determine the error value where α = 5%, after α is known then look for tα or tα / 2 from T table with df = n-k-1

3. Calculating t count using Eviews 8.10

4. Conclusion to reject or accept Ho, which depends on the formulation of the hypothesis,

That is: Ho is accepted if - tα / 2 ≤ to ≤ tα / 2

Ho is rejected if to> tα / 2 or to <-tα / 2

2 F test

Simultaneous hypothesis testing using F test, F test steps as follows:

1. Determine the hypothesis formulation

Ho: p = 0 there is no influence of fundamental factors on stock prices

Ha: p ≠ 0 there are influence factors on stock prices.

2. Determine the real level α and the value of F table

The real level α = 5% and the value of F table is determined by degrees of freedom
v1 = k-1 and v2 = n-k.
3. Calculate F count using eviews .8.10
4. Conclusion to reject or accept Ho:

Ho is accepted if - Fα / 2 ≤ Fo ≤ Fα / 2

Ho is rejected if Fo> Fα / 2 or Fo<-Fα / 2

4. RESEARCH RESULTS AND DISCUSSION

4.1 Description Analysis

Based on data obtained from each pharmaceutical industry that publishes financial statements from 2013 to 2016 the following information is obtained:

Table 4
Financial Ratio of the Pharmaceutical Industry

RATIO	Year	Minimum	Maximum	Average
CURRENT RATIO (X1)	2013	2,43	296,19	89,31
	2014	2,39	340,36	96,88
	2015	1,92	369,78	98,18
	2016	1,71	413,11	105,22
DEBT TO EQUITY RATIO (X2)	2013	0,10	119,28	29,73
	2014	0,10	110,88	32,91
	2015	0,10	158,76	36,44
	2016	0,10	93,97	8,17
RETURN ON ASSETS (X3)	2013	(4,19)	25,17	9,65
	2014	0,59	25,62	9,86
	2015	0,92	22,22	9,03
	2016	(1,25)	20,68	9.078,00
TOTAL ASSETS TURN OVER (X4)	2013	0,80	2,04	1,30
	2014	0,78	2,11	1,32
	2015	0,79	1,76	1,25
	2016	0,85	1,80	1,24
PRICE EARNING RATIO (X5)	2013	(8,74)	24.137,93	2.427,29
	2014	1,55	19.680,20	2.079,20
	2015	1,38	62.610,63	6.280,55
	2016	(835,17)	298,83	(36,90)
COMPANY VALUE (Y)	2013	147,00	189.000,00	20.855,00
	2014	135,00	160.000,00	17.954,00
	2015	112,00	154.000,00	17.057,40
	2016	200,00	10.500,00	3.494,00

Source: idx.co.id

Based on table 4, it can be analyzed as follows: (1) Minimum current ratio in KAEF is 1.71 in 2013 and maximum is 413.11 on KLBE in 201 with the highest average of 105.22. (2) The minimum Debt to equity ratio at SIDO of 0.1 occurred from 2013 to 2016 and the highest at INAF was 158.78 in 2015 with the highest average of 36.44 in 2015. (3) Minimum return on Assets at INAF amounted to -4.19 and the maximum in 2014 was 25.62 obtained by BRAND. (4) Minimum total asset turn over of 0.78 in SIDO

and maximum in IGAR of 2.11 in 2014. (5) The minimum price earning ratio in 2016 - 835.17 at INAF and the maximum in BRAND in 2015 was 62,610, 63. (6) The lowest company value in the PYFA was 112 in 2015 and the highest was 189,000 in BRAND in 2013.

4.2 Research Results

Dependent Variable: SP (Company Value)
Method: Panel Least Square
Date: 06/17/17 Time 14:23
Sample: 2013 2016
Periods included: 4
Cross-Section included: 10
Total Panel (balanced) observation: 40

Table 5
Results of ratio data processing of financial ratio

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-145080.8	52693.65	-2.753289	0.0108
CR (Current ratio)	71.23910	163.9740	0.434454	0.6677
DER (Debt to Equity Ratio)	395.2094	350.4637	1.127676	0.2702
ROA (Return On Assets)	5086.205	2121.586	2.397360	0.0243
TATO (Total Assets turn over)	68085.51	31771.66	2.142964	0.0420
PER (Price earnings ratio)	1.690073	0.410479	4.117320	0.0004
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.888810	Mean dependent var		14840.10
Adjusted R-squared	0.826543	S.D. dependent var		44392.99
S.E. of regression	18488.86	Akaike info criterion		22.76772
Sum squared resid	8.55E+09	Schwarz criterion		23.40105
Log likelihood	-440.3544	Hannan-Quinn criter.		22.99671
F-statistic	14.27427	Durbin-Watson stat		1.674881
Prob(F-statistic)	0.000000			

Source: eviews 8:10
Estimation Command:
LS(CX=F) SP C CR DER ROA TATO PER
Estimation Equation:
SP = C(1) + C(2)*CR + C(3)*DER + C(4)*ROA + C(5)*TATO + C(6)*PER + [CX=F]
Substituted Coefficients:
SP = -145080.842498 + 71.239099778*CR + 395.209367835*DER + 5086.20541337*ROA + 68085.514426*TATO + 1.69007340403*PER + [CX=F]
Based on table 5, for Current Ratio and Debt to Equity Ratio do not affect investment decisions made by investors in the Pharmaceutical Industry sector listed on the Indonesia Stock Exchange from 2013 to 2016.

Meanwhile, Total Return on Assets, Total Assets turn over and Price earning ratio have a strong influence on investors' decisions in buying shares of the pharmaceutical industry sector listed on the Indonesia Stock Exchange from 2013 to 2016.

Overall Current Ratio, Debt to Equity Ratio, Return On Assets, Total Assets Turn Over, and Price Earnings Ratio simultaneously have a positive influence on the stock investment decisions of the pharmaceutical industry listed on the Indonesia Stock Exchange

4.3 DISCUSSION

Based on the results of the study, it was found that Current Ratio (CR) and Debt to Equity Ratio (DER) had no effect, that is equal to 0.6677 and 0.2702 greater than the probability of 0.0000 of the Investor's decision to buy shares of the pharmaceutical industry sector because both ratios only look at the company's liquidity and the company's ability to pay its obligations do not directly affect the company's profit level even though debt equity affects the company's cost of capital.

Other variables, like Return on Assets (ROA), Total Assets Turn Over (TATO), and Price Earning Ratio (PER) have a direct effect on investor decisions with a probability of 0.0242, 0.0420 and 0.0004 respectively in decision making to buy shares of the pharmaceutical industry sector because these three factors affect the company's profits directly so that investors can get the impact of these changes like making the higher ROA, TATO and PER ratios, the higher value of the company that is expected by investors so they can get more capital gains or high dividends.

Overall, the factors like: Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), Total Assets Turn Over (TATO) and Price Earnings Ratio (PER) simultaneously have an effect on the company value of 82 , 65%.

So that the panel data regression model is obtained as follows:

SP = -145080.842498 + 71.239099778*CR + 395.209367835*DER + 5086.20541337*ROA + 68085.514426*TATO + 1.69007340403*PER

Annotation :
- SP = The value of the company (Stock Price)
- CR = Current Ratio
- DER = Debt to Equity Ratio
- ROA = Return On Assets
- TATO = Total Assets Turn Over
- PER = Prce Earnings Ratio

5. CONCLUSION

5.1 Conclusion

Partially, the fundamental factors in the form of the current ratio (CR), Debt to Equity Ratio (DER), do not directly affect the value of the company while Return On Assets (ROA), Total Assets Turn Over (TATO) and Price Earning Ratio (PER) are influential to the value of pharmaceutical industry companies listed on the Indonesian stock exchange. This is supported by the theory that investors have an interest in the ability of the company to get profit is not only seen from the level of liquidity of the company, that is, investors expect capital gains or dividends that are greater than the investment invested. Simultaneously, fundamental factors affect the value of pharmaceutical industry companies listed on the Indonesian stock exchange.

5.2 Suggestions

The advice that the writer wants to convey is that it is better before buying shares, investors must also pay attention to the economic conditions. Investors must carefully choose a company that is able to operate efficiently by getting the expected profit, despite the volatile economic conditions.

The pharmaceutical industry is expected to increase innovation in products. The innovation in the pharmaceutical industry products can further increase sales and profits that have been obtained so the pharmaceutical industry can further improve the welfare of shareholders and can make investors interested in investing in the pharmaceutical industry.

For further research, it is better to add other financial ratios in analyzing fundamental factors.

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