

CHAPTER 1

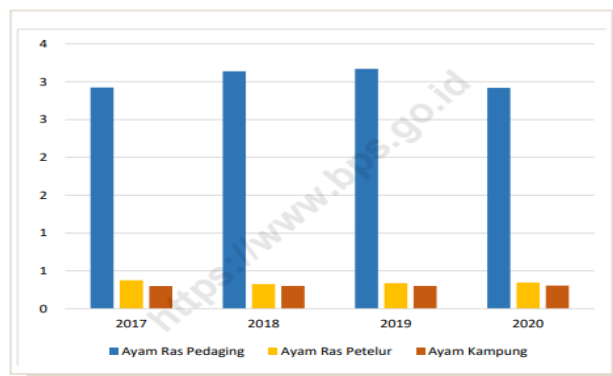
INTRODUCTION

1.1 Research Object Overview

The Indonesia Stock Exchange (IDX) is a capital market institution formed through a merger between the Jakarta Stock Exchange and the Surabaya Stock Exchange. Before the merger, the Jakarta Stock Exchange operating in Jakarta was managed by the government-owned BAPEPAM, the Surabaya Stock Exchange operating in Surabaya was managed by the privately-owned Surabaya Stock Exchange, and the Parallel Exchange was managed by the Money and Securities Traders Association (PPUE). There are many sectors on the IDX, including companies in the agricultural, mining, chemical, property, and other sectors. There are 720 listed companies on the IDX as of April 2021 (Central Bureau Of Statistics (BPS) accessed on 07/11/2021).

The development of primary and chemical industries in the animal feed sub-sector shows very rapid growth. This is marked by the rise of livestock that requires high-quality livestock. For this reason, the animal feed sub-sector plays a very important role in supporting the live stock industry in providing consumption and its derivative products for the community as an additional source of protein, so that many investors are interested in investing in this industry. The following is a graph of the population of various livestock in Indonesia in 2017-2020:

Figure 1. 1
The population of Various Livestock Period 2017-2020



Source: Central Bureau Of Statistics (BPS), 2020

The table above shows that the livestock population in Indonesia from 2017 to 2020 on average has increased, thus making the animal feed business also develop in line with the current development of livestock.

The object of this study is the sub-sector of animal feed in businesses that are listed on the Indonesian stock exchange and consistently pay dividends to their shareholders, at least from 2016 to 2020. Companies in the animal feed subsector manufacture raw ingredients and transform them into semi-finished or finished products. Manufacturing companies operate factories that employ labor, tools, engineering, and machinery. This term can refer to human activities ranging from high-tech manufacturing to handicrafts (www.idx.co.id, accessed on 07/11/2021).

During the 2016-2020 period, there were 3 issuers of the animal feed sub-sector which were listed on the Indonesia Stock Exchange and regularly distributed dividends to shareholders. The following issuers are the object of the author's research:

Table 1. 1
List Of Animal Feed Sub-Sector in 2016-2020 Period

No	Code	Company	IPO Date
1	CPIN	Charoen Pokphand Indonesia Tbk	March 18 th 1991
2	JPFA	Japfa Comfeed Indonesia Tbk	October 23 th 1989
3	MAIN	Malindo Feedmill Tbk	February 10 th 2006

Source: www.idx.co.id

(accessed on 07/11/2021)

The following is an explanation of each company. According to IDX data as of January 25, 2021, there are three issuers in the animal feed sub-sector that meet the criteria as the author's research subjects:

1. Charoen Pokphand Indonesia Tbk



Figure 1. 2

Pokphand Logo

Source: www.cp.co.id, 2021

PT Charoen Pokphand Indonesia Tbk is an animal feed sub-sector company in Indonesia, the company was founded in Indonesia under the name PT Charoen Pokphand Indonesia Animal Feedmill Co. Limited. The company has been conducting its business activities since 1972.

2. Japfa Comfeed Indonesia Tbk



Figure 1. 3

Japfa Logo

Source: www.japfacomfeed.co.id, 2021

PT. Japfa Comfeed Indonesia Tbk (JPFA) is an agri-food company. The Company (JPFA) started its commercial operations in January 1971. Its main activities include manufacturing animal feed, chicken farming, poultry processing, and aquaculture.

3. Malindo Feedmill Tbk



Figure 1. 4

Malindo Logo

Source: www.malindofeedmill.com, 2021

PT Malindo Feedmill Tbk is an international animal feed producer with its head office in Jakarta, Indonesia. The company was founded in 1997 and merged with Leong Hup Holdings Berhad and Emvest Berhad in Malaysia when it was listed on the Indonesia Stock Exchange in 2006.

PT Malindo Feedmill Tbk continues to develop all sectors in its business. This is indicated by the establishment of new breeding farms and feedmills in several areas in Indonesia such as Sumatera, Java, Kalimantan, and Sulawesi. Malindo completed its business on November 25, 2013, by launching food processing products under the Sunny Gold and Ciki Wiki brands. Food processing products are manufactured by PT Malindo Food Delight, a subsidiary under the Malindo Group.

1.2 Research Background

Investing is an activity performed by an investor by investing multiple funds in a company to generate future profits (Tandelilin, 2017). Equity investments have the advantage because they offer very high returns in the long run and can be started with very little capital. To make a good and promising investment, investors need to know what the Indonesia Stock Exchange (IDX) is calling (Pratama, 2018). Investors who invest in a company consider the company's performance and company obligations to generate profits. This is important because it can affect the demand for your company's stock. A good investment is one that is low risk and the funds invested in the company are guaranteed. Stocks are a form of capital investment in which an individual or a group of investors invests in a company. Apart from that, stocks are one of the securities that can be given as evidence of personal interest or ownership to a company, especially a

public company. Stocks are the most popular means of financial markets, and issuing stocks is one of the company's options if you want to receive additional funds.

Earnings per share (EPS) is the value at which each share can be regulated when making a profit during the financial reporting period. If the profit per share is high, it may indicate that the company can provide more profit to shareholders and investors, which has a significant impact on the increase in shares. According to Sodikin & Wuldani (2016), profit per share (EPS) is an important indicator of a company's success, which investors often see in terms of number of profits per share, so how much profit per share an investor earns. This is an approach to show When analyzing stocks. Table 1.2 Based on the animal feed subsector from 2016 to 2020.

Table 1. 2

Total Price Earning Ratio (PER), Earning Per Share (EPS), and Dividend Per Share (DPS) and Animal Feed Sub- Sector 2016-2020.

Company Code	Year	Price Earning Ratio (PER)		Earning Per Share (EPS)		Dividend Per Share (DPS)	
		X1		X2		Y	
CPIN	2016	24.021	↑	135.711	↑	29	↑
	2017	22.789	↓	152.261	↑	56	↑
	2018	26.300	↑	277.563	↑	56	≠
	2019	39.841	↑	221.501	↓	118	↑
	2020	26.670	↓	234.53	↑	81	↓
JPFA	2016	5.694	↑	255.515	↑	15	↑
	2017	9.973	↑	130.347	↓	50	↑
	2018	8.411	↓	255.61	↓	50	≠
	2019	13.710	↑	213.71	↓	50	≠
	2020	12.047	↓	138.616	↓	40	↓
MAIN	2016	10.027	↑	129.639	↑	38	↑
	2017	38.577	↑	19.182	↓	38	↓
	2018	10.987	↓	126.966	↑	16	↓

	2019	20.562	↑	68.084	↓	38	↑
	2020	-11.494	↓	-17.399	↓	22	↓

Source: www.idx.co.id (accessed on 07/11/2021)

Based on Table 1.2, seen from the value of changes in Price Earning Ratio (PER), Earning Per Share (EPS), and Dividend Per Share (DPS) every year. Companies with CPIN codes during 2016-2020 experienced an increase in Price Earning Ratio (PER) three times in 2016, 2018, and 2019 as well decreased twice in 2017 and 2020. Earning Per Share (EPS) increased four times in 2016, 2017, 2018, and 2020 as well decreased once, namely in 2019. Dividends Per Share (DPS) during 2016-2020 increased three times in 2016, 2017, and 2019 as well decreased once in 2020 but in 2018 there was no increase or decrease. (www.idx.co.id, accessed on 07/11/2021). The table above shows that there are fluctuations in Price Earning Ratio (PER), Earning Per Share (EPS), and Dividend Per Share (DPS) every year because the company's income and price per share are different each year so that it affects the increase and decrease in the price. Earning Ratio (PER), Earning Per Share (EPS), and Dividend Per Share (DPS) every year.

Companies with the JPFA during 2016-2020 experienced an increase in Price Earning Ratio (PER) three times in 2016, 2017, and 2019 as well decreased twice in 2018 and 2020. Earning Per Share (EPS) increased once in 2016 as well decreased four times, namely in 2017, 2018, 2019, and 2020. Dividend Per Share (DPS) during 2016-2020 increased twice in 2016, and 2017 as well decreased once in 2020 but in 2018, and 2019 there was no increase or decrease. (www.idx.co.id, accessed on 07/11/2021). The table above shows that there are fluctuations in Price Earning Ratio (PER), Earning Per Share (EPS), and Dividend Per Share (DPS) every year because the company's income and price per share are different each year so that it affects the increase and decrease in the price. Earning Ratio (PER), Earning Per Share (EPS), and Dividend Per Share (DPS) every year.

Companies with the code MAIN during 2016-2020 experienced an increase in Price Earning Ratio (PER) three times in 2016, 2017, and 2019 and decreased twice in 2018 and 2020. Earning Per Share (EPS) increased twice in 2016 , and 2018 also decreased three times, namely in 2017, 2019, and 2020. Dividend Per Share (DPS) during 2016-2020 increased twice in 2016, and 2019

also decreased three times in 2017, 2018 and 2020 (www.idx.co.id, accessed on 07/11/2021). The table above shows that there are fluctuations in Price Earning Ratio (PER), Earning Per Share (EPS), and Dividend Per Share (DPS) every year because the company's income and price per share are different each year so that it affects the increase and decrease in the price. Earning Ratio (PER), Earning Per Share (EPS), and Dividend Per Share (DPS) every year.

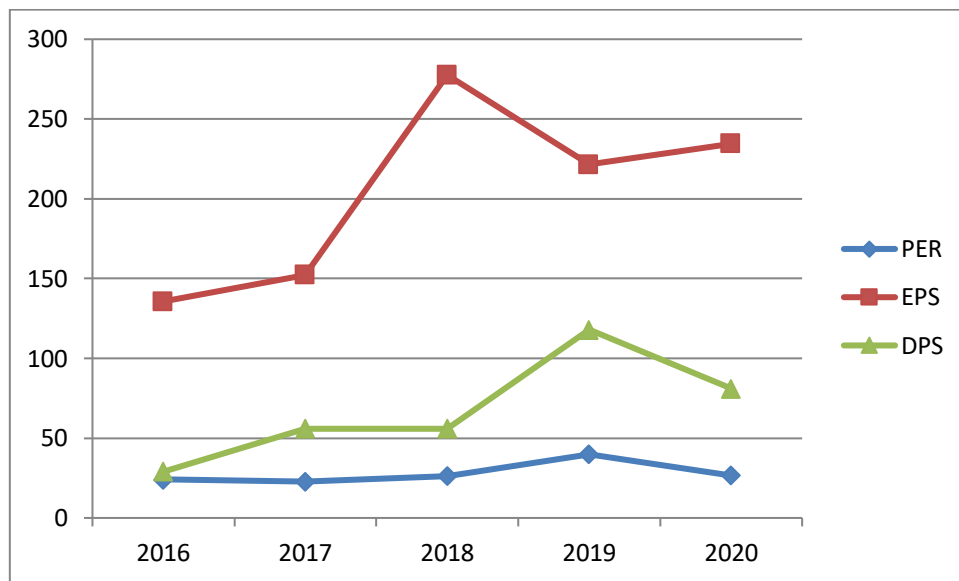


Figure 1.4

**Effect of Price Earning Ratio (PER), Earning Per Share (EPS), and Dividend Per Share (DPS), on PT Chaeron Pokphand Indonesia Tbk
2016-2020 period**

Source: www.idx.co.id, (accessed on 07/11/2021)

Based on the data from Graph 1.1 above, there is a discrepancy between the theory and the data that occurred in the field at PT Chaeron Pokphand Indonesia Tbk for the 2016-2020 period. From the graph above, it can be seen that every increase in Price Earning Ratio and Earning Per Share does not always increase Dividend Per Share and vice versa, thus making the authors interested in conducting further and extensive research in the same sub-sector as PT Chaeron. Pokphand Indonesia is an Animal Feed Sub-Sector that has been Listed on the Indonesia Stock Exchange.

According to Tandelilin (2017) Price Earning Ratio (PER) describes the magnitude of the comparison between the market price of shares per share and earnings per share if the Company's Price Earning Ratio (PER) is high, it means that the company's shares can provide large profits for investors. The level of profitability that can be generated by the issuer will affect the level of stock prices. The company's ability to generate profits per share outstanding can be seen in the Earnings per Share (EPS) ratio. Information about a company's earnings per share (EPS) reveals how much of its net profit is available for distribution to all of its shareholders.

Not all companies listed on the Indonesia Stock Exchange (IDX) pay dividends every year. Companies that regularly distribute company dividends to shareholders, because dividend policy questions when and how much company profits are distributed to shareholders and retained in the company, while still focusing on the company's goal of increasing company value.

A dividend policy is very important for company management because it focuses on the interests of the company and its shareholders. Companies that determine the best dividend ratio and distribute dividends regularly can obtain additional funds from the capital market. For investors, dividend distribution is seen as a signal of company performance. Dividend policy affects the company's investment opportunities, stock prices, financial structure, capital flows and liquidity status. In other words, dividend policy provides information about the company's performance. Therefore, each company has a different dividend policy (Ayu, Pertami, Bagus, & Sedana, 2018).

Compared to companies that do not pay dividends, companies that pay dividends are considered by investors. Corporate dividends attract investors to buy company shares. The more interested investors are in the company's shares, the causes the demand for company shares, which causes an increase in the share price and an increase in the value of the company. Every company certainly hopes that the value of the company will increase in order to attract investors to buy its shares (Risa, 2015)

In this study, there are several factors that affect dividends, namely Price Earning Ratio (PER) and Earning per Share (EPS). The results of previous studies

on the factors that affect dividends still calculate different results. Research related to the effect of Price Earning Ratio (PER) on dividends. According to Diantini (2016), his research results show that the Price Earning Ratio (PER) has no effect on dividends. The results of this study are different from Asrini (2019) which states that the Price Earning Ratio (PER) has a positive and significant effect on dividends. Meanwhile, based on the results of research conducted by Khoirina (2022) Price Earning Ratio (PER) has a positive and significant effect on dividends.

Research related to the effect of Earnings per Share (EPS) on dividends. According to Munawar (2017) and Nurlatifah (2021), their research results show that Earnings per Share (EPS) has no effect on dividends. The results of this study are different from Diantini (2016) which states that Earnings per Share (EPS) has a positive and significant effect on dividends. Meanwhile, based on the results of research conducted by Asrini (2019) Earnings per Share (EPS) has a positive and significant effect on dividends.

From several previous studies, there are still differences in research results (research gaps) and there is a discrepancy between the actual situation and the theory that has been explained about the factors that affect dividends, the authors are interested in conducting further studies on what factors affect the dividend. company dividends and based on the discussion described above and the results of previous studies show different results or inconsistencies.

Based on the description in Table 1.2 and previous research, the researcher believes that research on the animal feed sub-sector is very important. Theory and practice in terms of how the ratio of earnings per share (PER), earnings per share (EPS), and dividends per share (DPS) fluctuates or increases over a certain period of year. Therefore, the author is interested in writing a mini article entitled "**The Impact of Price Earnings Ratio (PER) and Earnings Per Share (EPS) on Dividends per Share (DPS) in the Listed Animal Feed Sub-sector Listed On The Indonesia Stock Exchange For The 2016-2020 Period** "

1.3. Problem Formulation

Based on the background of this research, the problem is formulated for this research are:

1. How is the effect of Price Earning Ratio on Dividend Per Share of Animal Feed Sub-sector listed on The Indonesia Stock Exchange within 2016-2020 period?
2. How is the effect of Earning Per Share on Dividend Per Share of Animal Feed Sub-sector listed on The Indonesia Stock Exchange within 2016-2020 period?
3. How is the effect of Price Earning Ratio and Earning Per Share simultaneously on Dividend Per Share of Animal Feed Sub-Sector listed on The Indonesia Stock Exchange within 2016-2020 period?

1.4. Research Objective

Based on the formulated problem, the objectives of this research are as follow:

1. To know the effect of Price Earning Ratio on Dividend Per Share of Animal Feed Sub-sector listed on The Indonesia Stock Exchange within the 2016-2020 period.
2. To know the effect of Earning Per Share on Dividend Per Share of Animal Feed Sub-sector listed on The Indonesia Stock Exchange within 2016-2020 period.
3. To know the effect of Return On Equity and Earning Per Share simultaneously on Dividend Per Share of Animal Feed Sub-sector listed on The Indonesia Stock Exchange within 2016-2020 period.

1.5. Research Benefit

The author is hoping to gain several benefits from this research, which are:

1. Theoretical Benefits

For academic purposes, it is expected that this research may be a reference that continues the previously resulted in Price Earning Ratio (PER) and Earning Per Share (EPS) to Dividend Per Share (DPS) simultaneously of Animal Feed Sub-

sector listed on The Indonesia Stock Exchange for the 2016-2020 period. For the author, It should contribute to an in understandings of the problems being studied in this research. The Result of this study also can be used as a reference for academians to add insight and knowledge and can be used as a reference guide for future researchers.

2. Practical Benefits

The result of this research is expected to provide insights to several practices that are related to this research, as below.

a. Companies

To companies, it can provide an overview and input regarding the effect of Price Earning Ratio (PER) and Earning Per Share (EPS) on Dividend Per Share (DPS) in the future.

b. Investor

To investor, the result of the research is expected to be taken into consideration on making decisions to invest their shares by looking at Price Earning Ratio (PER), Earning Per Share (EPS) on Dividend Per Share (DPS) in the future.

1.6. Writing Systematics

This part of the writing outlines a brief understanding of how the mini-thesis will be structured. It is aimed to help readers understand the contents of this mini-thesis. Each chapter will be explained as follow:

a. CHAPTER 1: INTRODUCTION

The introduction will explain several topics including Research Object Overview, Research Background, Problem Formulation, Research Objectives, Research Benefits, and Systematic Writing.

b. CHAPTER 2: LITERATURE REVIEW

This chapter will outline the theoretical basis that will cover the whole research, as well as theories from previous research that are similar to this research. Further into this chapter will cover the theoretical framework and hypotheses of the research.

c. CHAPTER 3: RESEARCH METHODOLOGY

The research methodology chapter will cover how the research will be done, the resource of the data, and the type of data used in this research. It will also include the information about where the population will be from, the number of the sample, the research variables, data collection method, instrument testing, and data analysis method.

d. CHAPTER 4: RESULTS AND DISCUSSION

This chapter will explain the general description of the research object, results from all instrument testing, as well as hypothesis testing.

e. CHAPTER 5: CONCLUSION

The last chapter will include the conclusion from the overall research, as well as suggestions to stakeholders who are related to this research.