

Analysis of Stock Investment Decisions through Price Earnings Ratio (A Case Study on Construction Service Companies)

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ABSTRAK

Penelitian ini bertujuan untuk menganalisa keputusan investasi dengan menggunakan metode analisa Price Earnings Ratio (P/E Ratio). Perusahaan yang menjadi sampel pada penelitian ini adalah perusahaan sektor jasa konstruksi yang terdaftar di Bursa Efek Indonesia tahun 2021. Penelitian ini menggunakan metode deskriptif dengan pendekatan kuantitatif. Hasil penelitian menunjukkan bahwa skala prioritas untuk melakukan investasi adalah PT. Waskita Karya Tbk., PT. Wijaya Karya Tbk., PT. Adhi Karya Tbk., dan PT. Pembangunan Perumahan Tbk. Skala prioritas ini dapat dijadikan bahan pertimbangan bagi para investor dalam melakukan investasi.

Keywords: Investasi; P/E Ratio; Rasio Keuangan; Saham.

ABSTRACT

The objective of this study is to analyze investment decisions using the Price Earnings Ratio (P/E Ratio) approach. The sample companies for this study are construction service companies that are listed on the Indonesia Stock Exchange in 2021. This study combines descriptive and quantitative methods. The results indicated that PT. Waskita Karya Tbk., PT. Wijaya Karya Tbk., PT. Adhi Karya Tbk., and PT. Pembangunan Perumahan Tbk. are sequentially the company with the highest investment priority. This priority scale can be taken into account by investors when making investments.

Keywords: Financial Ratio; Investment; P/E Ratio; Stock.

INTRODUCTION

Investment is the placement of funds currently owned, with the expectation of providing benefits in the future (Nguyen et al., 2020). Investment is essential for supporting and enhancing the economic welfare of investors. Stocks are one of the investment instruments with a high rate of return. Stocks are one of the most often traded investment instruments in the capital market (Hanif et al., 2021). In Indonesia, stocks are traded on the Indonesia Stock Exchange, which is supervised by the Financial Services Authority. The nature of stock investments are high risk and high return, which means that investors can obtain great profits if they are willing to accept conditions with the possibility of significant losses. In order to reduce the risk of significant investment losses, stock investing decisions must be made with care and based on both fundamental and technical analysis. The number of information sources can influence the investment decisions of both novice and experienced investors, therefore they must be analyzed first on a fundamental or technical level.

The fundamental analysis employs numerous financial statement parts that show the performance of a company over a specific period. Price Earnings Ratio (P/E Ratio) is one of the financial ratios often employed in fundamental stock research. The P/E ratio compares the current market price of a stock to its earnings per share (Liem & Basana, 2012).

Construction services play a significant part in the development of Indonesia. The construction industry is in high demand as a result of the large number of infrastructural developments throughout Indonesia. PT. Waskita Karya Tbk., PT. Wijaya Karya Tbk., PT. Adhi Karya Tbk., and PT. Pembangunan Perumahan Tbk. are four prominent companies that the government frequently employs for infrastructure-related contracts. The company is categorized as a State-Owned Enterprise

(BUMN), making it an attractive investment opportunity. Therefore, it is interesting to do research to determine investment decisions in these companies. In the banking industry, Fahruri & Ikhsan (2021) have conducted research on investment decision analysis utilizing the Price Earnings Ratio (P/E Ratio) technique. In this study, we provide an analysis of investment decisions in the construction service sector as an update.

Literature Review

Price Earnings Ratio (P/E Ratio)

P/E Ratio is a ratio used in fundamental analysis to assess a company's future growth potential (Fahruri & Ikhsan, 2021). The P/E ratio is utilized to calculate a stock's rate of return on invested capital (Ramadhani, 2016). Low P/E ratios indicate that the stock price has dropped. Nonetheless, this has the potential to increase future stock prices. A high P/E ratio, on the other hand, means that stock prices are expensive and difficult to increase in the future. Suharno & Afriani (2020) use the following formula for estimating P/E ratio:

$$P/E \text{ Ratio} = \frac{\text{Stock Price}}{\text{Earning Per Share (EPS)}}$$

$$EPS = \frac{\text{Net Income}}{\text{Total Outstanding Common Shares}}$$

METHOD

In this study, a descriptive method with a quantitative approach was employed as the method of analysis. The type of data employed in this study is secondary data. The study data sources used were collected from the Indonesia Stock Exchange website (www.idx.co.id). PT. Waskita Karya Tbk., PT. Wijaya Karya Tbk., PT. Adhi Karya Tbk., and PT. Pembangunan Perumahan Tbk. used in this study, are the state-owned construction services sub-sector companies that are listed on the LQ45 index on the Indonesia Stock Exchange in the 2021 research period.

The purpose of this study is to provide an overview of stock price valuations based on the financial data of a state-owned construction company and ratio analysis approaches used to establish investment decisions on the selected stocks. The Price Earnings Ratio (P/E Ratio) was used as the ratio analysis technique for this study.

RESULT AND DISCUSSION

This study is limited to four state-owned Karya companies. The stock codes for these four companies which have been listed on the Indonesia Stock Exchange, are shown in Table 1.

Table 1.
Kode Saham Perusahaan Jasa Konstruksi

No.	Company's Name	Stock Code
1.	PT. Waskita Karya Tbk.	WSKT
2.	PT. Wijaya Karya Tbk.	WIKA
3.	PT. Adhi Karya Tbk.	ADHI
4.	PT. Pembangunan Perumahan Tbk.	PTPP

The value of the P/E ratio of the four companies tested in this study is shown in Table 2.

Table 2.
P/E Ratio Calculation Data

No	Stock Code	Stock Price Per December 2021	Earnings Per Share (EPS) Per December 2021	P/E Ratio
1.	WSKT	Rp 635	Rp 41.66	15.24 times
2.	WIKA	Rp 1.105	Rp 13.12	84.22 times
3.	ADHI	Rp 895	Rp 43	20.81 times
4.	PTPP	Rp 990	Rp 15.50	63.87 times

According to Table 6, the stock of PT. Wijaya Karya Tbk had the greatest P/E ratio, which amounted to 84.22 times, while the stocks of PT. Waskita Karya Tbk had the lowest P/E ratio, which was 15.24 times. According to Viandita et al. (2013), the higher the P/E ratio, the greater the company's prospective net profit, causing investors to respond positively to an increase in the stock market price of the company. If a company's stock price is high, then the company's value will be high (Sinaga & Hasanuh, 2020). Consequently, the greater the P/E ratio, the greater investor confidence in the company's future (Rajindra, 2021). Referring to Table 2, the following is the order of investment decisions based on the selected P/E ratio:

1. PT. Wijaya Karya Tbk (WKA) with P/E ratio of 84.22.
2. PT. Pembangunan Perumahan Tbk (PTPP) with P/E ratio of 63.87.
3. PT. Adhi Karya Tbk (ADHI) with P/E ratio of 20.81.
4. PT. Waskita Karya Tbk (WSKT) with P/E ratio of 15.24.

CONCLUSION

This study intends to assess the stocks of construction services companies listed on the Indonesia Stock Exchange in 2021 in order to generate informed investment decisions. The Price Earnings Ratio (P/E Ratio) is used to assess the quality of a company's stocks. A result has been obtained in the form of a priority scale for investors who want to invest in order to get investment returns. The result is as follows: PT. Wijaya Karya Tbk, PT. Pembangunan Perumahan Tbk, PT. Adhi Karya Tbk, and PT. Waskita Karya Tbk. This result is based on the findings of an analysis that has been carried out.

This study has several limitations. First, this study solely uses the Price Earnings Ratio analysis method. Future academics are anticipated to be able to employ more stock valuation techniques, such as Price to Book Value (PBV). Second, this study is limited to construction service companies. Future researchers are expected to be able to study in other fields.

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