

## THE EFFECT OF RETURN ON ASSEST (ROA) AND RETURN ON EQUITY (ROE) ON COMPANY VALUE

Mardhati Fatila<sup>1</sup>, Syahril<sup>2</sup>  
Politeknik LP3I Medan<sup>1,2</sup>

---

### ARTICLEINFO

*Keywords: Return On Assets,  
Return On Equity,  
The value of the company*

**E-mail:** [mardhati.fatila@gmail.com](mailto:mardhati.fatila@gmail.com)

### ABSTRACT

The success of financial management in managing financial performance affects the value of the company. The higher the value of the company, the higher the company's interest by investors so that the share price rises and the prosperity of shareholders is higher. In this study, the ROA and ROE ratios are used as part of financial performance to determine their effect on firm value in pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The hypothesis testing of this study uses the t-test and f-test, with the IBM SPSS Statistics 20 application tool. This study uses a quantitative method with a sample of 10 companies that have the largest profits for the 2019-2021 period. This study uses hypothesis testing H<sub>0</sub> and H<sub>1</sub>, with a significance value of 5%. The results of the tests that the authors did regarding the effect of ROA and ROE on firm value can be concluded that ROA has a positive and significant effect on firm value with a significance of 0.00 (less than 0.05) and ROE has a negative and significant effect on firm value with a significance of 0.00 (less than 0.05). So it can be concluded that based on the value of ROA, financial management succeeded in maximizing the value of the company while based on the value of ROE, the management of the company has not succeeded in maximizing the value of the company. 05) and ROE have a negative and significant effect on firm value with a significance of 0.00 (smaller than 0.05). So it can be concluded that based on the value of ROA, financial management succeeded in maximizing the value of the company while based on the value of ROE, the management of the company has not succeeded in maximizing the value of the company. 05) and ROE have a negative and significant effect on firm value with a significance of 0.00 (smaller than 0.05). So it can be concluded that based on the value of ROA, financial management succeeded in maximizing the value of the company while based on the value of ROE, the management of the company has not succeeded in maximizing the value of the company.

Copyright © 2022 Economic Journal. All rights reserved. is Licensed under a [Creative Commons Attribution-NonCommercial 4.0 International License \(CC BY-NC 4.0\)](https://creativecommons.org/licenses/by-nc/4.0/)

---

### 1. INTRODUCTION

The value of the company is very influential on the views of investors on the success of the company in managing its resources. High company value is generated by good financial performance. One of the ratios used to determine financial performance is return on assets (ROA) and return on equity (ROE). This ratio is used by investors or potential investors to get a view of the company going forward. In investing in the Capital Market, investors will choose profitable companies, because by choosing profitable companies, investors believe that they will benefit from their investment results in the form of dividends distributed to shareholders.

Based on previous research conducted by Helmy Fahrizal [11], which obtained the results that *The Effect Of Return On Assest (Roa) And Return On Equity (Roe) On Company Value- Mardhati Fatila, Syahril*

return on assets (ROA) had a positive and significant effect on firm value and return on equity (ROE) had a negative and significant effect on firm value. While different results were obtained by Priska Sondakh, et al. [13] that return on assets (ROA) has a negative and significant effect on firm value and return on equity (ROE) has a positive and significant effect on firm value.

The pharmaceutical industry is an industry that plays an important role in health security. Where the pharmaceutical industry is increasingly in the spotlight in meeting the needs of the community in 2019 - 2021 due to the rise of the covid 19 virus in Indonesia. During the pandemic, health is the main need of the community so that pharmaceutical companies should increase due to the increasing need for public health. But it turns out that after an analysis of net income in the financial statements, it is known that many companies have experienced a decline and instability in financial performance from 2019-2021. This has an impact on the condition of the value of the company so that investors face a high level of uncertainty regarding the impact caused by COVID-19.

## 2. METHODS

This research was conducted on manufacturing companies listed on the Stock Exchange, namely manufacturing companies in the pharmaceutical sub-sector for the period 2019-2021, this research started from March 2022 to June 2022. The data used in this study is secondary data, namely data that has been presented by the company to become research reference and can be obtained from the Indonesia Stock Exchange (IDX). The data sources used in this study came from external data. External data is data that comes from outside an organization or group.

The generalization area consists of objects or subjects that have certain qualities and characteristics determined by the researcher to be studied and then draw conclusions. The population in this study were 10 pharmaceutical companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The sampling technique used in this study used a saturated sample technique so that 10 pharmaceutical companies were used as research samples. The saturated sample technique is a research sampling technique for the entire population of Pharmaceutical Companies listed on the IDX for the 2019-2021 period.

Sources of data will be obtained by interviewing existing sources then the data is collected as much as possible and narrowed and sharpened according to the research focus. In obtaining informants, researchers used snowball sampling. The main objects of interview data are sentences and behaviors which are seen as the main data sources. Operationally, data sources in the form of sentences and behaviors are summarized, written, and recorded in multimedia. Additional basic data can be sourced from written sources such as books, data boards, archives and other documents such as photos taken by other people or by researchers, both about people and their backgrounds. The instrument in this research is the researcher himself.

The position of the researcher is planner, data collector/collector, analyst and research reporter. The instrument was developed simply and then compared with the data found during observations and interviews. Observations were carried out with reference to the guidelines for observation, review and interviews so that the data could be met.

## 3. RESULTS AND DISCUSSION

A pharmaceutical company or drug company is a commercial business company that focuses on researching, developing and distributing drugs. The pharmaceutical industry is a research-intensive, innovative and balanced industry in the use of human resources and technology. Product updates and innovations are very important for the survival of pharmaceutical companies. These important product updates and innovations are highly dependent on the intellectual capital owned by the company.

Pharmacy is a promising sector. Due to the increasing demand, the government has included

*The Effect Of Return On Assest (Roa) And Return On Equity (Roe) On Company Value- Mardhati Fatila, Syahril*

the pharmaceutical sector as part of the priority sector in an effort to realize the Making Indonesia 4.0 program. The Indonesian government seeks to increase the competitiveness of the pharmaceutical sector by creating many programs. Pharmaceutical industry sector companies are developing their own businesses to face increasingly fierce competition.

Researchers collect data from annual financial reports published by pharmaceutical companies listed on the Indonesian stock exchange from the website [www.idx.co.id](http://www.idx.co.id). The following are the results of data acquisition after being processed by researchers.

**Table 1: Calculation Results of ROA, ROE and Firm Value**

Company Code	Return On Assets			Return On Equity			The value of the company		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
DVLA	12.119563	8.1578505	7.0341473	16.980845	12.220052	10,626145	2	2	2
SDPC	0.6402116	0.240751	0.7933812	3.346959	1.2235489	4.0388479	1	1	1
KAEF	0.0865828	0.1163011	1.6322388	0.2143612	0.2874571	4.0084886	1	3	2
KLBF	12,52226	12.407309	12.592253	15.190143	15.318505	15,198092	5	4	4
BRAND	8.6849612	7,7322489	12.829103	13.174286	11.735638	19.247428	2	2	2
PEHA	4.8795339	2.5399488	0.6144525	12.452405	6.5683028	1.5246016	1	2	1
PYFA	4.8969567	9.6704922	0.679584	7.4905942	14.022787	3.2788353	1	3	3
SCPI	7.9461235	13.662354	9.7917378	18,2581	26.238942	12,204132	0.17	0.13	0.11
SIDO	22.836084	24.263206	30,988137	26.354526	28.991042	36.324713	6	7	7
TSPC	7.1082204	9.164208	9.1019069	10,277175	13.083565	12.767692	1	1	1

The variables used in this study include return on assets (ROA) and return on equity (ROE) as independent variables, and firm value as the dependent variable. These variables will be tested statistically descriptively using the SPSS program as shown in table 2 below:

**Table 2: Descriptive Statistics**

	N	Minimum	Maximum	mean
ROA	30	,09	30.99	8.5244
ROE	30	,21	36.32	12.4216
THE VALUE OF THE COMPANY	30	,11	7.00	2,2803

Based on the results of the descriptive statistical test in table 1, it shows that the minimum value of the ROA variable is 0.09 and the maximum value is 30.99 with an average value of 8.52. The minimum value on the ROE variable is 0.21 and the maximum value is 36.32 with an average value of 12.42. The minimum value for the firm value variable is 0.11 and the maximum value is 7.00 with an average value of 2.28.

**Normality test**

**Table 3: Normality Test Results**

		Unstandardized Residual
N		30
Normal Parameters, b	mean	0E-7
	Std. Deviation	1.02694729
Most Extreme Differences	Absolute	,083
	Positive	,061
	negative	-,083
Kolmogorov-Smirnov Z		,454
asymp. Sig. (2-tailed)		,986

Based on the results of the normality test in table 2 above, it is known that the significance value of 0.986 is greater than 0.05, it can be concluded that the residual value is normally distributed.

**Multicollinearity Test**

**Table 4: Multicollinearity Test Results**

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				(Constant)	ROA	ROE
	1	2,707	1,000	.03	,00	,00
1	2	,279	3,114	,67	.03	,01
	3	0.014	13,832	,30	,97	,99

Based on the results of the multicollinearity test in table 3 above, it is known that the eigenvalue is greater than 0.01 and or the condition index is less than 30, so based on the eigenvalue and condition index, it can be concluded that there is no multicollinearity symptom. In the results of this study, the eigenvalue is 0.014 and the condition index is 13.832.

**Heteroscedasticity Test**

**Table 5: Heteroscedasticity Test Results**

Model		T	Sig.
	(Constant)	4,221	,000
1	ROA	1,112	,276
	ROE	-1,269	,215

Based on the results of the heteroscedasticity test in table 3 above, it is known that the significant value (Sig) for the ROA variable is 0.276 and the significant value for the ROE variable is 0.215. Because the significant value of the two variables above is greater than 0.05, there is no heteroscedasticity problem in the regression model.

### Multiple Linear Regression Test

**Table 6: t test results**

Model		T	Sig.
	(Constant)	4,455	,000
1	ROA	5,872	,000
	ROE	-4,130	,000

1. ROA has a t-count value of 5.872 with a significant value of 0.000 less than 0.05. It can be concluded that ROA has a positive and significant effect on firm value. Then H1 is accepted H0 is rejected.
2. ROE has a t-count value of -4.130 with a significant value of 0.000 less than 0.05. It can be concluded that ROE has a negative and significant effect on firm value. Then H1 is accepted and H0 is rejected.

### f. test

**Table 7: f . test results**

Model		F	Sig.
	Regression	32.433	,000b
1	Residual		
	Total		

ROA and ROE simultaneously have a calculated F value of 32.433 with a significant value of 0.000 less than 0.05. It can be concluded that ROA and ROE simultaneously have a significant and significant effect on firm value.

### Multiple Linear Regression Test

**Table 8: Multiple Linear Regression Test Results**

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	1,657	,372	
1 ROA	,562	,096	2,228
ROE	-.335	,081	-1,567

Based on the table above, it can be concluded that the multiple linear regression equation is:

$$Y = + 1X_1 + 2X_2 \quad Y = 1.657 + .562 + -.335$$

Based on the above formula it can be explained that:

1. The ROA variable is positive so that if the ROA increases it will be directly proportional to the value of the company. The ROA variable has a coefficient value of 0.562, which means that if the value of the ROA variable is increased by 1%, there will be an increase in Firm Value of 0.562. On the other hand, if the value of the ROA variable is decreased by 1%, there will be a decrease in Firm Value of 0.562.
2. The ROE variable is negative so that if the ROA decreases, it will be inversely proportional to the value of the company. The ROA variable has a coefficient value of -.335, which means that if the value of the ROE variable is increased by 1%, there will be a decrease. Company value is -.335, on the other hand, if the value of the ROE variable is decreased by 1%, there is an increase in the value of the company by -.335.

### Coefficient of Determination Test

**Table 9: Coefficient of Determination Test Results**

Model	R	R Square
1	,840a	,706

Based on the data above, it is explained that the R value (correlation coefficient) is 0.840. These results indicate that there is a strong relationship between the independent variable and the dependent variable because the R value is close to 1. While the R<sup>2</sup> value (coefficient of determination) of 0.706 means that 70% of Company Value is influenced by ROA and ROE, and 30% is influenced by other variables. outside of this research.

#### The Effect of Return On Asset (ROA) on Firm Value

ROA has a t-count value of 5.872 with a significant value of 0.000 less than 0.05. It can be concluded that ROA has a positive and significant effect on firm value. Then H<sub>1</sub> is accepted H<sub>0</sub> is rejected. The results of this study support the research conducted by Helmy Fahrizal [11] which states that ROA has a positive and significant effect on firm value. This illustrates that the better the company's financial performance in this case seen from the ROA ratio, the higher the value of the company. And based on the results of the multiple linear regression test that the author did, the coefficient value for the ROA variable was 0.562, which means that if the ROA variable value is increased by 1%, there will be an increase in Company Value by 0,

#### The Effect of Return On Equity (ROE) on Firm Value

ROE has a t-count value of -4.130 with a significant value of 0.000 less than 0.05. It can be concluded that ROE affects the firm value negatively and significantly. Then H<sub>1</sub> is accepted H<sub>0</sub> is rejected. The results of this study support the research conducted by Helmy Fahrizal [11] which states that ROE has a negative and significant effect on firm value. This states that when viewed from the ROE ratio, the company's management has not succeeded in increasing the value of the company for the owner of the company in accordance with the objective of financial management to maximize the value of the company. And based on the results of the multiple linear regression test that the author did, the coefficient value for the ROA variable was -.335, which means that if the ROE variable value is increased by 1%, there will be a decrease in Company Value by -,

#### The Effect of Return On Asset (ROA) and Return On Equity (ROE) on Firm Value

In both variables X<sub>1</sub> and X<sub>2</sub>, ROA and ROE simultaneously have a calculated F value of 32.433 with a significant value of 0.000 less than 0.05. It can be concluded that ROA and ROE simultaneously have a significant and significant effect on firm value. Then H<sub>0</sub> is rejected, H<sub>1</sub> is accepted. Based on the results of the coefficient of determination test that the author did, the results obtained were the R value (correlation coefficient) of 0.840. These results indicate that there is a strong relationship between the independent variable and the dependent variable because the R value is close to 1. While the R<sup>2</sup> value (coefficient of determination) of 0.706 means that 70% of Company Value is influenced by ROA and ROE, and 30% is influenced by other variables. outside of this research.

## 4. CONCLUSION

Based on the results of research and discussion on "Return On Asset (ROA) and Return On Equity (ROE) on Company Value in Manufacturing Companies of the Pharmaceutical sub-sector listed on the IDX for the period 2019-2021", it can be concluded that: Return On Assets (ROA) and partially positive and significant effect on firm value with a significant value of 0.000. Return On Equity (ROE) partially has a negative and significant effect on firm value with a significant value of 0.000. Return On Asset (ROA) and Return On Equity (ROE) simultaneously have a positive and significant effect on firm value with a significant value of 0.000. Based on the results of the coefficient of determination

test, it shows that there is a strong relationship between the independent variable and the dependent variable because the R value is close to 1.

## References

- [1] Rikma, "Factors Influencing Company Value With Company Financial Performance As Intervening Variable," J. Account. 2018, 2015.
- [2] Damayanti, "Analysis of Banking Financial Ratios to Assess Financial Performance," Yudisthira J., vol. 2, no. 1, pp. 67–88, 2022.
- [3] Azizah, "Financial Statement Analysis," 2022.
- [4] Wuryaningrum, "The Effect of Financial Ratios on Share Prices of Pharmaceutical Companies on the Indonesia Stock Exchange (IDX)," J. Ilmu Dan Ris. Manaj., vol. 4, no. November, pp. 1–18, 2015.
- [5] Isbanah, "The Effect of Esop, Leverage, and Company Size on the Financial Performance of Companies on the Indonesia Stock Exchange," J. Ris. icon. and Manaj., vol. 15, no. 1, p. 28, 2015, doi: 10.17970/jrem.15.150103.id.
- [6] R. Hasanuddin, "The Effect of Capital Structure, Company Size and Profitability on Stock Prices in Food and Beverage Companies Listed on the Indonesia Stock Exchange," J. Equilibrium, vol. 1, no. 2, pp. 54–63, 2020, [Online]. Available: <http://journal.lldikti9.id/Equilibrium>
- [7] D. Arif, "The Effect of Return on Assets, The Effect of Return on Assets, Return on Equity and Debt To Equity Ratio on Stock Returns in the Food and Beverage Subsector in the Indonesia Stock Exchange," J. EMBA J. Ris. icon. Management, Business and Accounts., vol. 8, no. 1, p. 273, 2020.
- [8] Luthfi, "Determination of Profitability Ratios on Stock Returns Case Study of Mining Companies on the Indonesia Stock Exchange (IDX) 2013-2017,"
- [9] J. Mitra Manaj., vol. 3, no. 10, p. 951, 2019, [Online]. Available: <http://ejournalmitramanajemen.com/index.php/jmm/article/view/125/69>
- [10] Husnan, "Financial Management, 3rd edition", no. 03. 2019.
- [11] Fahrizal, Helmy; "The Influence of Return on Assets (ROA), Return on Equity (ROE) and Investment Opportunity Set (IOS) on Firm Value (Empirical Study on Manufacturing Companies Listed on the Indonesian Stock Exchange)" in 2013. <http://repository.uinjkt.ac.id/dspace/handle/123456789/24017>.
- [12] Alfredo, "Manufacturing in Indonesia Stock Exchange Against," J. Management, Strategy. Business, and Entrepreneurship, vol. 6, no. 2, p. 131, 2012.
- [13] Sondakh, Prisca; saerang, ivonne; Samadi, Raitty; vol. 7, no 3 p. 3079 2019; Available: <https://ejournal.unsrat.ac.id/index.php/emba/article/view/24196/23882>
- [14] Setiawati, "The Effect of ROA, ROE, Assets Ratio on Price To Book Value Ratio Mediated by Capital Expenditure Variables (Literature Study on Manufacturing Companies Listed IDX in 2012 - 2018)," ACCESS J. Ekon. and Business, vol. 15, no. 1, pp. 1–10, 2020, doi:
- [15] Marlina, "The Effect of Earning Per Share, Debt To Equity Ratio, Return on Equity and Price To Book Value on Stock Return on ...," J. Ilm. Account., vol. 1, no. 1, 2018, [Online]. Available: [http://repo.usni.ac.id/id/eprint/39%0Ahttp://repo.usni.ac.id/39/1/AGATHA CHRISTY.pdf](http://repo.usni.ac.id/id/eprint/39%0Ahttp://repo.usni.ac.id/39/1/AGATHA%20CHRISTY.pdf)
- [16] D. Selvi, "Factors Affecting Company Value Selvi Sembiring Ita Trisnawati," J. Business and Accountants, vol. 21, no. 1, pp. 173–184, 2019, [Online]. Available: <http://jurnaltsm.id/index.php/JBA>

*The Effect Of Return On Assest (Roa) And Return On Equity (Roe) On Company Value- Mardhati Fatila, Syahril*

- [17] D. Trisna, "The Influence of Corporate Social Responsibility Disclosure on Company Value with Foreign Ownership as Moderating Variable," E-Jurnal Account. Univ. Udayana, vol. 19, no. 3, pp. 1727–1728, 2017, [Online]. Available: <https://ojs.unud.ac.id/index.php/Accounting/article/view/22432>
- [18] Yosi, "The Influence of Intellectual Capital on Market Value and Corporate Financial Performance," *Bisnis Islam* |, vol. VIII, no. 2, p. 42, 2018.
- [19] D. Artika, "Investment Decision Analysis Based on Stock Price Assessment (Study Using Fundamental Analysis with Price Earning Ratio (PER) Approach in Mining Sector Stocks Listed on the IDX for the Period 2012-2014)," *J. Adm. Business*, vol. 32, no. 1, pp. 58–65, 2016.