ALMANA
Jurnal Manajemen dan Bisnis

THE INFLUENCE OF RETURN ON EQUITY, COMPANY SIZE, PRICE EARNING RATIO, AND CAPITAL STRUCTURE ON A COMPANY'S VALUE

Alam Adhi Nugroho*[1], Asep Muslihat[2]
Universitas Singaperbangsa Karawang, Indonesia*[12]
alamadhin@gmail.com*[1], asep.muslihat@staff.unsika.ac.id[2]

Abstract: For companies that have been gone public, the company's value is a description of the market price of the company's capital. Several factors can influence the company's value, including return on equity, company size, price earning ratio, and capital structure. This study aims to determine and analyze the influence of return on equity, company size, price earning ratio, and capital structure on the company's value in the automotive sub-sector companies and components listed on the IDX for the 2015-2019 period, either partially or simultaneously. The company's value in this study was measured using Tobin's Q. The sampling technique used in this study was purposive sampling. The number of samples is six from 13 companies. The data used are secondary data using the multiple linear regression analysis methods. This study indicates that the t-test shows that only partially return on equity affects the company's value. In contrast, company size, price earning ratio, and capital structure do not affect the company's value. Then the f-test shows that all independent variables simultaneously influence the company's value.

Keywords: Capital Structure; Company Size; Company's Value; Price Earning Ratio; Return On Equity

INTRODUCTION

Currently, where we have entered an increasingly competitive era of industrialization, competition at the domestic and international market levels is getting tighter; this requires company owners to maintain or increase profits by paying more attention to the company's operations and finances. During a business era in the form of stock trading in the current capital market, the companies in the automotive and components sector are the ones that are stealing enough attention. Based on the data published by the Central Statistics Agency of Indonesia, the number of motorized vehicle ownership in Indonesia always increases every year.

Table 1. Number of Motorized Vehicle Ownership

Types of Motorized Vehicles	Number of Motorized Vehicles (Unit)				
	2015	2016	2017	2018	2019
Passenger Car	12.304.221	13.142.958	13.968.202	14.830.698	15.592.419
Bus	196.309	204.512	213.359	222.872	231.569
Goods Car	4.145.857	4.326.731	4.540.902	4.797.254	5.021.888
Motorcycles	88.656.931	94.531.510	100.200.245	106.657.952	112.771.136
Total	105.303.318	112.205.711	118.922.708	126.508.776	133.617.012

Source: Badan Pusat Statistik Indonesia (2021)

However, the company's value in the automotive and component sub-sector tends to be flat and even shows a decline in 2019. According to Harmono (2011), the company's value reflects the company's performance by the stock price formed by supply and demand in the capital market, which reflects the public's assessment of the company's performance. For companies that have gone public, the company's value illustrates the company's capital market price.

ALMANA
Jurnal Manajemen dan Bisnis

Meanwhile, for companies that have not gone public, the company's value is the embodiment of value if the company is to be sold. The value of the company is a reflection of the good/bad state of the company. The better the company's value, the company's image will get better in the eyes of potential investors. There are several ratios in measuring the company's value, one of which is Tobin's Q. According to Margaretha (2011), Tobin's Q is used to assess its capacity to manage its assets to create more good value in the capital market. The ratio that defines the company's value is an illustration of the combined value of tangible assets with intangible assets. The company's Tobin's Q ratio will be considered significant if it is more than 1 (>1). This condition is an indication that the value of the company is greater than the value of the company's assets listed.
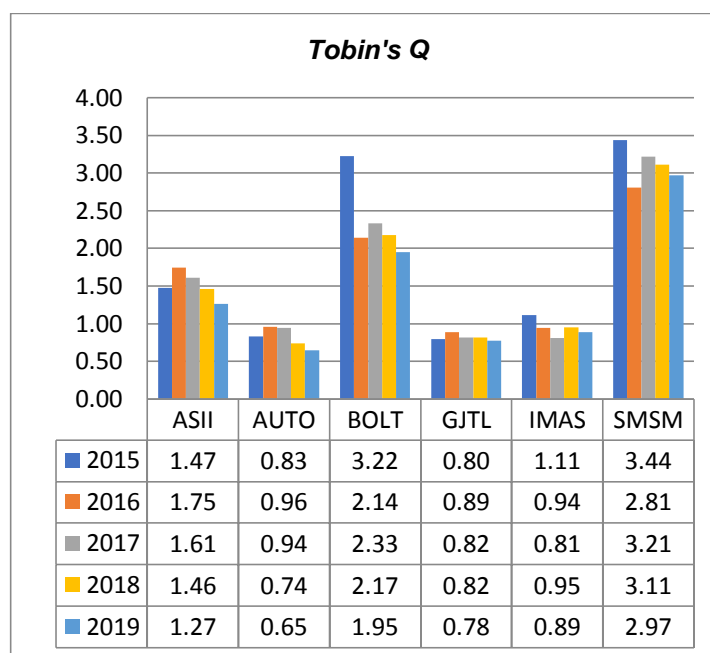

Tobin's Q

	ASII	AUTO	BOLT	GJTL	IMAS	SMSM
2015	1.47	0.83	3.22	0.80	1.11	3.44
2016	1.75	0.96	2.14	0.89	0.94	2.81
2017	1.61	0.94	2.33	0.82	0.81	3.21
2018	1.46	0.74	2.17	0.82	0.95	3.11
2019	1.27	0.65	1.95	0.78	0.89	2.97

Figure 1. Company's Value
Source: Indonesia Stock Exchange and processed by the author (2021)

Based on the data above, it can be seen that the picture of the company's value stated in Tobin's Q has fluctuated. From this data, it can also be seen that all companies experienced a decline in 2019. These fluctuations will certainly cause changes in the profits that shareholders will receive.

Several factors are considered capable of determining the company's value, one of which is Return on Equity. In previous research, Languju, et al. (2016) found that Return on Equity significantly affects firm value. As stated by Fahmi (2012) states that ROE is a ratio used to determine the extent to which an institution can influence its assets to generate profits. ROE illustrates the company's success in generating net income for the return of shareholder equity of a company. The higher the ROE, it is a positive indication for potential investors, which means that it can generate profits with favorable conditions.

Company size is also considered capable of influencing the company's value. Research conducted by Nopiyanti dan Darmayanti (2016) proves that capital structure is one of several factors that influence the company's value. Capital structure is a combination of permanent short-term debt, long-term debt, and equity. According to

Halim (2015), the larger the size of a company, the use of foreign capital will tend to be more significant. This is because large companies need large amounts of funds to support their operations, so one alternative is to fulfill foreign capital if their capital is insufficient. Therefore, the size of the company has a different impression of the value of the company. The company size is seen from the number of assets owned by the company, which can be used for the company's operational activities. If the company has significant assets, the management will be more flexible in using the assets. The freedom this management has will be proportional to the owner's concern over his assets. Therefore, a large number of assets will make the value of the company decrease when viewed from the side of the company owner. However, if viewed from the management side, controlling the company will increase the company's value.

The company's value can also be influenced by the Price Earning Ratio, which is the ratio of stock price to operating profit. According to Sudana (2011), PER is a ratio to measure how shareholders view the prospects for the company's development in the future, which will be reflected in the share price that investors are willing to pay for each profit earned by the company. So it can be stated that the price-earnings ratio (PER) is the embodiment of market appreciation for the success of a company in creating income through a comparison of the market price for each share and the profit for each share. This ratio illustrates how much investors assess the company's growth prospects in the future and can also be used as an illustration for making decisions to invest because the higher the PER, the higher the price for each share.

The capital structure, which is a combination of permanent short-term debt, long-term debt, and equity, is also considered capable of influencing the company's value. According to Sartono (2012), capital structure is the ratio of long-term debt, permanent short-term debt, preferred stock, and common stock. Based on this theory, it can be concluded that the capital structure is part of the financial structure, which is used as a measure of the comparison between permanent short-term debt, long-term debt, preferred stock, and common stock used by the company.

Based on the explanation above, systematically, the framework of this research can be seen in the picture below:
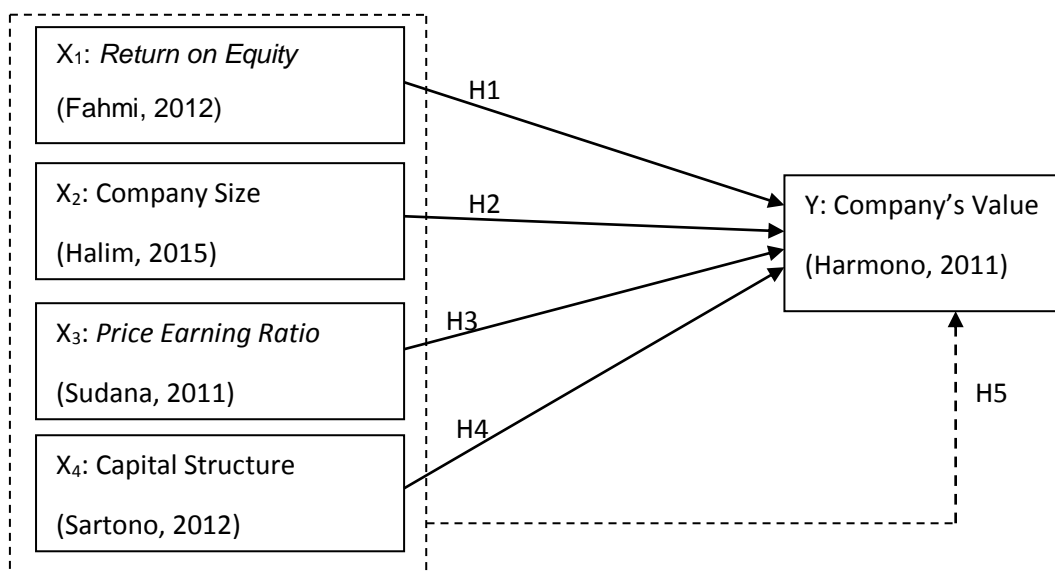

Figure 2. Framework
Source: Processed by the author (2021)

From the results of the framework above, the hypotheses of this research are as follows:

ALMANA
Jurnal Manajemen dan Bisnis

H1: There is an influence of Return on Equity (ROE) on the Company's Value.
H2: There is an influence of Company Size on the Company's Value.
H3: There is an influence of Price Earning Ratio (PER) on the Company's Value.
H4: There is an influence of Capital Structure on the Company's Value.
H5: There is a simultaneous influence of Return on Equity (ROE), Company Size, Price Earning Ratio (PER), and Capital Structure on the Company's Value.

METHODS

The research approach that will be used in this study uses a quantitative approach. A quantitative research method is a research method whose specifications are systematic, planned, structured, and straightforward. A quantitative research method is a research method based on the nature of positivism, used to examine specific populations or samples, data collection using research instruments, and data analysis is quantitative to test established hypotheses (Sugiyono, 2011).

The population used in this study came from the 2015-2019 financial statements of the automotive and component sub-sector companies as many as 13 companies listed on the IDX. The research sample was selected using the purposive sampling method. The criteria used to select the sample in this study are as follows: (1) The sample companies are listed on the Indonesia Stock Exchange in 2015-2019, which publish financial reports and are presented on the IDX website or the website of each issuer continuously; (2) The sample companies have financial statements ending December 31 and use the rupiah as the reporting currency; (3) The sample company has all the necessary data in total. Based on these criteria, six companies in the automotive and component sub-sector were obtained as research samples.

RESULTS AND DISCUSSION

Normality Test

The normality test aims to test whether the confounding or residual variables have a normal distribution in the regression model. In this test, data can be normal if the Asymptotic Significant value is more than 0.05. The normality of the data was tested using the Kolmogorov-Smirnov method. The results of normality testing for all variables in this study can be seen in the following table:

Table 2. Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		30
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.34796991
Most Extreme Differences	Absolute	.128
	Positive	.118
	Negative	-.128
Test Statistic		.128
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: Processed by the author (2021)

ALMANA
Jurnal Manajemen dan Bisnis

In the table above, it can be seen that the value of Asymp. Sig. (2-tailed) is 0.200 which means that the data has a value > 0.05, so the residual variable is normally distributed. With these results, it can be concluded that the overall value of the research variables has been normally distributed so that the classical assumption test can be continued further.

Multicollinearity Test

This multicollinearity test was carried out by regressing the analytical model and testing the correlation between independent variables using the variance inflation factor (VIF). If VIF <10 and tolerance 0.100, there is no multicollinearity symptom. The following are the results of multicollinearity test data processing:

Table 3. Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	ROE (X_1)	.581	1.721
	Company Size (X_2)	.835	1.197
	PER (X_3)	.887	1.127
	DER (X_4)	.515	1.942

a. Dependent Variable: Tobin's Q (Y)

Source: Processed by the author (2021)

The table above shows that the ROE tolerance value is 0.581 > 0.100, Company Size 0.835 > 0.100, PER 0.887 > 0.100, DER 0.515 > 0.100, and the VIF value of ROE 1.721 < 10, Company Size 1.197 < 10, PER 1.127 < 10, and DER 1.942 < 10. The tolerance value of all variables is more than 0.100 and the VIF value is less than 10, so the conclusion is that there is no multicollinearity in the research variables.

Heteroscedasticity Test

A good regression model is homoscedasticity. There is no heteroscedasticity by looking at the graph plot between the predicted value of the dependent variable, namely ZPRED, with the residual value of SRESID. The presence or absence test can be done by looking at the presence or absence of specific patterns on the Scatterplot graph between SRESID and ZPRED.
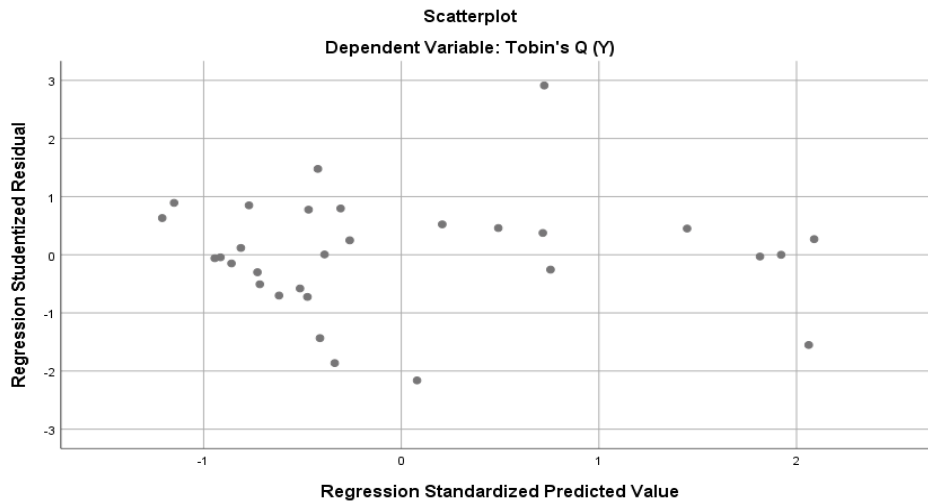
Figure 3. Scatterplot (Heteroscedasticity Test)
Source: Processed by the author (2021)

From the scatterplot graph above, it can be seen that the points are scattered randomly and do not form a specific pattern. The spread is above or below the number 0 on the Y-axis. It can be concluded that in this study, there were no symptoms of heteroscedasticity.

Multiple Linear Regression Test
A multiple linear regression test helps analyze the functional relationship of several independent variables to the dependent variable. The following are the results of multiple linear regression tests:

Table 4. Multiple Linear Regression Test

Coefficients[a]							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	6.349	1.214		5.228	.000		
ROE (X_1)	.067	.009	.785	7.827	.000	.581	1.721
Company Size (X_2)	-.182	.040	-.380	-4.534	.000	.835	1.197
PER (X_3)	.000	.002	-.009	-.115	.909	.887	1.127
DER (X_4)	.072	.094	.082	.767	.450	.515	1.942

a. Dependent Variable: Tobin's Q (Y)

Source: Processed by the author (2021)

Based on the table above, the regression constant (α) value is 6331, and the regression coefficient (β) of each variable is 1 0.067, 2 -0.181, 3 0.000, 4 0.072. Based on the values of these constants and regression coefficients, the relationship between all independent variables and the dependent variable in the regression model is as follows: Y = 6.349 + 0.067x1 + -0.182x2 + 0.000x3 + 0.072x4 + e

Based on the above equation, it can be explained:

Constant (α)

The value is 6,349. This means that ROE, Company Size, PER, and DER are worth 0, then the company's value is 6,349

ROE Coefficient (X_1)

The ROE coefficient value is 0.067. This shows that the ROE variable has a positive relationship to the company's value.

Company Size Coefficient (X_2)

The company Size coefficient value is -0.182. This shows that the Company size variable has a negative relationship to the company's value.

PER Coefficient (X_3)

The PER coefficient value is 0.000. This shows that the PER variable has no relationship to the company's value.

DER Coefficient (X_4)

The PER coefficient value is 0.027. This shows that the PER variable has a positive relationship to the company's value.

Based on the formulation of the regression model, the next step is to test the hypothesis to measure the accuracy of the regression function in estimating the actual value. Hypothesis testing in this study consisted of t-test (partial) and f-test (simultaneous).

T-Test

The t-test describes how much influence one independent variable has individually in influencing the dependent variable. This t-test aims to determine the significance of the partial effect between each independent variable by assuming that the other independent variables are considered constant. The following are the results of the t-test:

Table 5. Result of T-Test

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	6.349	1.214		5.228	.000		
ROE (X_1)	.067	.009	.785	7.827	.000	.581	1.721
Company Size (X_2)	-.182	.040	-.380	-4.534	.000	.835	1.197
PER (X_3)	.000	.002	-.009	-.115	.909	.887	1.127
DER (X_4)	.072	.094	.082	.767	.450	.515	1.942

a. Dependent Variable: Tobin's Q (Y)

Source: Processed by the author (2021)

The t_{table} number is provided with = 0.05 and dk = (n-k-1) or (30-4-1) = 28. Then t_{table} = (α/2 ; 30-4-1) = (0.025 ; 25) = 2.060. Based on the table above, it can be concluded that the partial effect of each variable is as follows:

The Influence of ROE on The company's value

Based on the table above, it can be seen that the t_{count} of the ROE variable is 7.827, meaning $t_{count} > t_{table}$ (7.827 > 2.060) with a significant number of 0.000 <0.05. So, H0 is rejected, and H1 is accepted, meaning that there is a positive influence between ROE and The company's value.

ALMANA
Jurnal Manajemen dan Bisnis

The Influence of the Company Size on The company's value

Based on the table above it can be seen that the t_{count} of the Company Size variable is -4.534, meaning $t_{count} < t_{table}$ (-4.534 <2.060) with a significant number of 0.000 <0.05. So, H0 is accepted, and H1 is rejected, meaning that there is no influence between Company Size and The company's value.

The Influence of PER on The company's value

Based on the table above it can be seen that the t_{count} of the PER variable is - 0.115, meaning $t_{count} < t_{table}$ (-0.115 <2.060) with a significant number of 0.909 > 0.05. So, H0 is accepted, and H1 is rejected, meaning that there is no influence between PER and Company Value.

The Influence of DER on The company's value

Based on the table above, it can be seen that the t_{count} of the DER variable is 0.767, meaning $t_{count} < t_{table}$ (0.767 <2.060) with a significant number of 0.450> 0.05. So, H0 is accepted, and H1 is rejected, meaning that there is no influence between DER and The company's value.

F-Test

The f-test is used to show whether the independent variables can influence the dependent variable together. The following are the results of the f-test:

Table 6. Result of F-Test

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	20.491	4	5.123	36.472	.000^b
Residual	3.511	25	.140		
Total	24.002	29			

a. Dependent Variable: Tobin's Q (Y)

b. Predictors: (Constant), DER (X_4), PER (X_3), Company Size (X_2), ROE (X_1)

Source: Processed by the author (2021)

The decision-making criteria for the f test is If the value of $f_{count} > F_{table}$, then H0 is rejected, meaning that together the independent variables affect the dependent variable. Meanwhile, f_{table} is obtained from (k ; n-k) = (3 ; 30-4) = (3 ; 26) = 2.99. From the data in table 6 above, it can be seen that f_{count} 36,472 > f_{table} 2.99. So, H0 is rejected, and H1 is accepted, with a significant number of 0.000 <0.05, so it can be concluded that there is a significant simultaneous effect between ROE, Company Size, PER, and DER on the Company's Value.

CONCLUSION

Based on research that has been conducted regarding the effect of Return on Equity (ROE), Company Size, Price Earning Ratio (PER), and Capital Structure on Firm Value in automotive and component sub-sector companies listed on the Indonesia Stock Exchange during the 2015-2019 period, the conclusion which can be taken are

as follows: Return on Equity (ROE) has a positive effect on firm value in automotive and component sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2019 period. This conclusion was obtained based on hypothesis testing on the t-test, where H0 was rejected, and H1 was accepted. Thus, it can be concluded that there is a positive influence between ROE and Firm Value. The size of the company does not affect the value of the company in the automotive and component sub-sector companies listed on the IDX for the 2015-2019 period. This conclusion is obtained based on hypothesis testing on the t-test, where H0 is accepted, and H1 is rejected. Thus, it can be concluded that there is no effect between Firm Size and Firm Value. Price Earning Ratio (PER) has no effect on Company Value in automotive and component sub-sector companies listed on the IDX for the 2015-2019 period. This conclusion is obtained based on hypothesis testing on the t-test, where H0 is accepted, and H1 is rejected. Thus, it can be concluded that there is no effect between PER and firm value.

The capital structure does not affect the value of companies in the automotive and component sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2019 period. This conclusion was obtained based on hypothesis testing on the t-test, where it can be concluded that there is no effect between Capital Structure and Firm Value. Meanwhile, simultaneously Return on Equity, Company Size, Price Earning Ratio, and Capital Structure affect the firm value of automotive and component sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2019 period. This conclusion is obtained based on hypothesis testing on the f test which can be concluded that there is a significant simultaneous effect between ROE, Firm Size, PER, and DER on Firm Value.

REFERENCES

Badan Pusat Statistik Indonesia. (2021). Perkembangan Jumlah Kendaraan Bermotor Menurut Jenis (Unit). Retrieved March 12, 2021, from https://www.bps.go.id/indicator/17/57/1/jumlah-kendaraan-bermotor.html

Fahmi, I. (2012). *Analisis Laporan Keuangan*. Bandung: Alfabeta.

Halim, A. (2015). *Auditing (Dasar-dasar Audit Laporan Keuangan)* (Jilid 1 Ed). Yogyakarta: UPP STIM YKPN.

Harmono. (2011). *Manajemen Keuangan Berbasis Balanced Scorecard Pendekatan Teori, Kasus, dan Riset Bisnis*. Jakarta: Bumi Aksara.

Indonesia Stock Exchange. (2021). *Laporan Keuangan dan Tahunan.* Retrieved May 27, 2021, from https://www.idx.co.id/perusahaan-tercatat/laporan-keuangan-dan-tahunan/

Languju, Octavia. Mangantar, Marjam. Tasik, H. H. D. (2016). Pengaruh Return on Equity, Ukuran Perusahaan, Price Earning Ratio Dan Struktur Modal Terhadap Nilai Perusahaan Property and Real Estate Terdaftar Di Bursa Efek Indonesia. *Jurnal Berkala Ilmiah Efisiensi*, *16*(2). Retrieved from https://ejournal.unsrat.ac.id/index.php/jbie/article/view/12530

Margaretha, F. (2011). *Teori Dan Aplikasi Manajemen Keuangan Investasi dan Sumber Dana Jangka Pendek*. Jakarta: Grasindo Gramedia Widiasarana.

Nopiyanti, I Dewa Ayu. Darmayanti, N. P. A. (2016). Pengaruh PER, Ukuran Perusahaan, Dan Profitabilitas Pada Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Moderasi. *E-Jurnal Manajemen Unud*, *5*(12). Retrieved from https://ojs.unud.ac.id/index.php/Manajemen/article/view/25451

Sartono, A. (2012). *Manajemen Keuangan Teori dan Aplikasi* (Edisi 4). Yogyakarta: BPFE.

Sudana, I. M. (2011). *Manajemen Keuangan Perusahaan*. Jakarta: Erlangga.

Sugiyono. (2011). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung: Alfabeta.