Effect Of Return On Equity, Debt To Asset Ratio, And Inflation Rate On The Value Of The Company

Melda Pratiwi Agustina[1*], Gunarianto[2], Hartini Prasetyaning Pawestri[3]

[1]Accounting, Faculty of Economics and Business, Widyagama University Malang, Indonesia
[2]Accounting, Faculty of Economics and Business, Widyagama University Malang, Indonesia
[3]Accounting, Faculty of Economics and Business, Widyagama University Malang, Indonesia
*Corresponding Author: meldaprtw34@gmail.com

ABSTRACT

The approach in this study is in the form of quantitative descriptive research, and this type of research is included in the category of explanatory research. This study aims to determine the effect of return on equity, debt to asset ratio, and inflation rate on company value in Consumer Goods Sub-Sector Manufacturing Sector Companies listed on the Indonesia Stock Exchange.The sample of research in this study was 21 companies. The research period is from 2018 to 2021. The research methods used in this study are descriptive statistical tests, classical assumption tests, multiple regression tests, and hypothesis tests. The results showed that: 1) return on equity did not have a significant effect on the value of the company in the Consumer Goods Sub-Sector Manufacturing Sector Company; 2) Debt to Asset Ratio has a significant effect on the value of the company in the Consumer Goods Sub-Sector Manufacturing Sector Company; 3) inflation has an insignificant effect on the value of companies in the Manufacturing Sector of the Consumer Goods Sub-Sector; 4) simultaneously Return On Equity (ROE), Debt to Asset Ratio (DAR) and Inflation together have no significant effect on stock prices, this suggests that the hypothesis is not proven.

Keywords: Return on Equity, Debt to Asset Ratio, Inflation, and Company Value

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INTRODUCTION

There is an indication of a positive desire by consumer goods sub-sector companies in Indonesia in growing the company, the problem is shown through the ongoing time where the emergence of consumer goods sub-sector companies as companies that go public is increasing (Hendry et al., 2022; Jufrizen & al Fatin, 2020; Kahfi et al., 2018; Nursalim et al., 2021). Consumer goods sub-sector companies are grouped in five industrial sections, namely the food and beverage industry, cigarettes, beauty or cosmetics, pharmaceuticals, as well as household appliances, as well as household needs. Basically, the consumer goods company is a sector that plays an important role in the economy of a country. Through the development of the consumer goods sub-field shows the discovery of economic growth in society. In the rapid growth of consumer goods sub-field companies, including the important reasons for the rise of investors who have begun to invest their funds in the sub-sector, which shows that in the sub-sector many investors are captivated (Febryawan & Rahayu, 2021).

Many investors are certainly very interested in interpreting their capital into companies in the consumer goods sub-sector, because the trend in the consumer products market has recorded developments every year due to the increasing level of demand for various consumer goods. The increase in demand is due to the welfare of citizens who have also increased (Sutama and Lisa, 2018). For companies, protecting and improving financial performance is an obligation so that shares remain attractive to investors. In helping investors in making investment decisions, it must be carried out by the company in the form of reporting on financial accounting by providing information on the financial performance of a company that can be reviewed through the financial statements obtained. The financial statements published by the company are a reflection of the financial performance of the company (Anggraini & Wahyono, 2020).

Based on https://databoks.katadata.co.id/, consumer goods sub-sector companies are still growing during the Covid19 pandemic. Even though the increase is slow, the industry can survive and also continue to grow since 2011. The following table 1.1 is the value and growth of consumer goods sub-sector companies from 2010 to 2021, as follows:

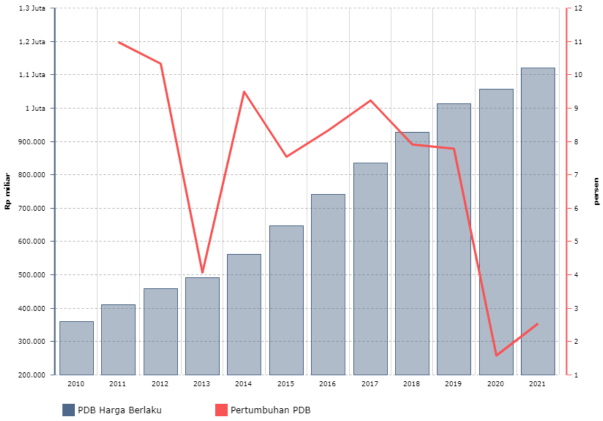

Figure 1: Value and Growth of Companies in the Consumer Goods Sub-Sector

In table 1. BPS or the Central Bureau of Statistics provides a report on gross domestic product abbreviated as PBD at the prevailing rate for companies in the consumer goods sub-field from year to year. The growth of gross domestic product

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of consumer goods sub-sector companies goes hand in hand with the development of consumption expenditure of citizens in consumption needs. The prospects for the growth of consumer goods sub-sector companies are very convincing, the development of the industry will continue to be good, there may also be an increase in the next few years. Through other investments, in the consumer goods sub-field company as the number one sub-field of interest to investors. Because now the consumer goods industry in Indonesia is growing rapidly every year. Even when the country experienced a crisis caused by the Covid19 pandemic, the course of this industry remained strong. This is due to the various products created by the company are products for the needs of the community, which will certainly continue to be needed by citizens for daily life.

With the decline in the value and growth of the Consumer Goods sub-sector company due to entering the Covid-19 pandemic, the company must find other strategies to increase value and growth after this pandemic has passed. This problem arises because of the decline in GDP development which causes a decrease in company value, especially in the Consumer Goods sub-field.

The increase in company value is a long-term goal that should be realised by the company which will be reflected in the stock market rate, because investors' assessment of the company can be observed through the movement of the company's stock rates (Mudjijah et al., 2019). The high value of a company can later display great expectations for investors in cultivating their shares in the company because the company's value is adapted to the share price of the company. Through company value can reflect the prosperity of company owners. Various factors that can bring an influence on changing the value of the company, are internal and external factors of the company. In the research undertaken, the internal factor is financial performance, with this problem the researcher is interested and wants to examine the ROE factor as well as DAR, after which the external factor in the company is macroeconomics, for example inflation.

For a company, protecting and improving financial performance is an obligation. Accounting provides information about the financial performance of a company that can be reviewed through financial reports. The final stage in the accounting process through the objective of providing financial information that can explain the state of a company at a specific time period is a financial report (Septiana, 2019). If the ROA value continues to rise, it shows that the company's capability to create profits through the use of personal capital is also getting bigger. In the end, the company can be called having a high level of financial performance (Prihadi, 2019).

Inflation is included in the main economic indicators, the flow of development is always tried not to be high as well as stable to make macro diseases not appear which can later lead to instability in the economy. Described by Permana and Rahyuda (2019) if inflation is the stage when various prevailing rates increase in the economy. High inflation can cause sales in the company to decline, so that it can create a decline in profits. Decreased company profits can have an impact on making investors determine their investment decisions.

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THEORETICAL STUDIES

Return on Equity

Return on Equity which is abbreviated as ROE is a profitability ratio by displaying the comparison that occurs in profit (after tax) with funds (main capital) of the bank, displayed by the ratio the percentage degree that can be created on operating existing funds so that net income can be obtained (Prihadi, 2019). It is explained by Oktaviarni et al., (2019) if, ROE is often called profit or equity. The ratio analyses how far a company utilizes a resource that it has in order to provide profit by equity. Kaskur kada Jufrizen also al Fatin (2020) explains if, return on equity or ROE or profitability of personal funds is a ratio so that the measurement of net profit after tax through personal funds can be measured. The ratio displays the effectiveness of the use of private capital. If the ratio goes up, it means that the position of the person who owns the company will be stronger, and vice versa. The benefits and objectives of ROE, not only aim for the company owner or only its management, but also for parties outside the reach of the company such as various parties who have ties or needs with the company.

Debt to Asset Ratio

Debt to Asset Ratio DAR, also known by the abbreviation DAR, is a ratio used in measuring how much a company's assets are funded by debt and how much a company's debt has an impact on asset funding. Described by Septiana (2019) if, DAR is a ratio used in order to be able to review and carry out comparisons on the total amount of debt that the company has through the total assets that the company has, or through other words means reviewing how much the company's assets are funded by debt. The ratio displays the ratio that occurs in debt to the company's assets. If the degree of DAR of a company continues to decline, it is good that the problem displays that the debt the company has is fairly small, otherwise if the DAR has a large value it means that the assets financed by debt are fairly high, which ultimately makes it more difficult for the company to obtain additional debt capital which is feared that the company may not be able to cover its debts through asset ownership.

Inflation

The definition of inflation can be expressed through a variety of different definitions, but all of these definitions contain similar points. Described by Salbiyanti and Priyadi (2018) a definition of inflation is inflation to be a condition where there is an increase in the degree of general rates, which can be in the form of various goods, many services, as well as various factors of production. Through this definition, it indicates that the condition of decreasing purchasing power is also followed by the real value, also called intrinsic or currency of a country. Inflation occurs when a state of imbalance (disequilibrium) occurs between aggregate demand and supply, that is, when aggregate demand far exceeds supply. In this case, the general tariff rate reflects the relationship between the flow of goods and services and the flow of money. If the flow of products exceeds the flow of money then deflation may occur, and vice versa, if the flow of money exceeds the flow of products then the general rate will rise and inflation will be experienced. Inflation can be caused by two things, demand inflation and production rate inflation. Demand puII inflation i.e. demand inflation is preceded by an increase in aggregate

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demand on the other hand production is already in a position of full employment or close to full employment. Due to the excessive aggregate demand, it causes an increase in the tariff on the production produced (output). Furthermore, cost-push inflation is usually characterised by rising tariffs (inputs) as well as declining production. In the end, it causes the tariff of the goods (output) obtained to also rise (Anggraini & Wahyono, 2020).

Company Value

A market value is the definition of enterprise value, because enterprise value can distribute prosperity to shareholders to the maximum if the company's share rate increases. In order for the value of the company in general to be realised, investors give control of its operation to professionals. Here the professionals are managers and commissioners. A company value is the main thing because a high company value means that the welfare of shareholders will also be high. The assets of the shareholders as well as the company are depicted by the share rate on shares which is a reflection of investment decisions, capitalisation, as well as wealth management. There are some ratios so that the market value of the company can be measured, such as PER which stands for price earning ratio, market-to-book ration, Tobin's Q, as well as price flow ratio, market-to-sales ratio. Included in the alternatives used to assess companies is through Tobin's Q. The development of the ratio is the result of Professor James Tobin (1967). Many consider that the Tobin's Q type ratio is the ratio that conveys the best information because it describes phenomena in the company's activities, for example, such as cross-sectional differences in the withdrawal of investment and diversification decisions, the relationship between management's share ownership and firm value, the relationship between management performance and earnings on acquisitions, as well as capital, dividend, and compensation policies.

RESEARCH METHODS

Research design is a step in order to obtain valid data to be studied at the research stage with the aim of getting a solution or anticipating a problem. The research uses a research arrangement in the form of a qualitative approach. Furthermore, it is included in the type of explanatory research. Research techniques that aim to explain the position of each observed variable as well as the impact given to one variable to another are explanatory research (Arikunto, 2014). The objects used in the following research are ROE, DAR, Inflation Rate, and Tobin's Q. Meanwhile, the research subjects are ROE, DAR, Inflation Rate, and Tobin's Q. Meanwhile, the subject of the research is the Consumer Goods Sub-Field Manufacturing Company with its listing on the IDX starting in 2018 and still continuing to be listed until 2021.

The period in the study began in 2018 and then to 2021. Furthermore, for the research site, researchers used a website www.idx.co.id as well as https://www.bi.go.id/id/default.aspx. In the research, the data source used is external data. The type of data needed in supporting each hypothesis trial analysis, researchers use secondary data types. While the research used a population in the form of a Manufacturing Company in the Consumer Goods Sub-Field listed on the IDX. Used sample technique in the form of using puposive sampling. There are only a total of 21 companies that meet the requirements of the study. Data analysis

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techniques contained in the study are descriptive statistical tests, classical assumption tests, hypothesis testing and multiple regression type tests.

RESULTS AND DISCUSSION

Research Results

The descriptive statistical study obtained by each variable can be presented in the table below:

Table 1. About Descriptive Statistics

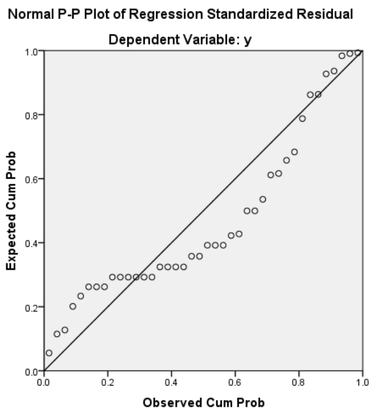
	N	Minimum	Maximum	Mean	Std. Deviation
Nilai Perusahaan	84	.009	4.169	.50924	.791169
ROE	84	-9.169	145.088	18.46557	27.912260
DAR	84	-4.415	77.338	35.02817	18.111366
Inflasi	84	1.68	3.13	2.3500	.60037
Valid N (listwise)	84				

Source: data managed, 2022

The descriptive analysis obtained for each variable can be described like this:

1. The minimum company value is 0.009, the maximum is 4.169, the average is 0.5092 and the standard deviation is 0.791169.
2. ROE is a minimum of -9,169, a maximum of 4,169, an average of 18,46557 as well as a standard deviation of 27,912260.
3. DAR is a minimum of -4,415, a maximum of 77,338, an average of 35,02817, also a standard deviation of 18,111366.
4. Inflation is a minimum of 1.68 a maximum of 3.13 an average of 2.35 also a standard deviation of 0.60037.

The normality test has the aim of conducting an experiment on whether in the regression type, confounding type variables or residuals have a normal distribution.



Picture 2. Regarding Normality Test Results

Figure 2. Shows if the normality test is normally distributed. The issue can be viewed through the line that interprets the actual data, which is displayed through a pattern that almost reaches the diagonal line.

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Running an autocorrelation test on a model aims to find out the correlation that occurs in the confounding variable in a special period of time with the previous variable.

Table 2. Regarding the Autocorrelation Test Obtained

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1		0.294[a]	0.086	0.050	1.16233	1.008

Source: data managed, 2022

Through table 2, it can be seen that the Durbin Watson experiment value is 1.008 which is in the position of the D-W number, which is between -2 and +2. This proves that the residual data does not experience any autocorrelation at all, which means that it can be concluded that the assumption of not finding autocorrelation is sufficient.

The Heteroscedasticity Test has a purpose in order to be able to carry out experiments on the truth of the type of regression experiencing various types of mismatches on the residuals of one observation to another. In order to find out whether heteroscedasticity is found, it can be reviewed through the scatterplot image as below:

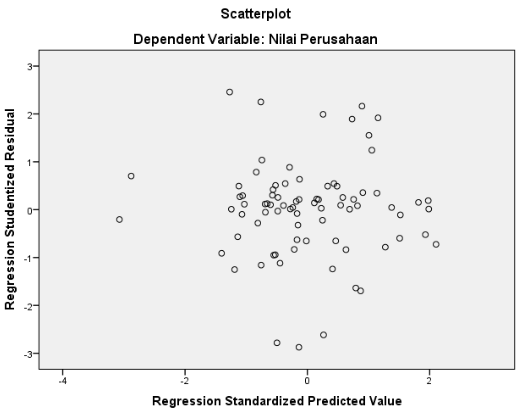

Figure 3. Regarding the Heteroscedasticity Test Obtained

Based on the explanation of Figure 3, it can be seen that the distribution of data around the number 0 in the Y-axis, also does not form a special pattern or a special outline. It can be concluded if there is no heteroscedasticity in the regression type, which finally the regression type is suitable for use in research.

The multicollinearity test has the purpose of conducting experiments on the type of regression found that there is an existing correlation in the independent variables. If the correlation is experienced, it means that there is a multicollinearity problem.

Table 3. Regarding the Multicollinearity Test Obtained

Variabel	Nilai *Tolerance*	Nilai *VIF*
ROE	0.967	1.035
DAR	0.957	1.045
Inflasi	0.942	1.062

Source: data managed, 2022

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Based on table 3 above, the results of the calculation of the tolerance value show that none of the independent variables has a tolerance of less than 0.10, which means that there is no correlation between the independent variables whose value is more than 95%. The results of the VIF value calculation also show the same thing, there is no independent variable that has a VIF value of more than 10.

Multiple regression test (multiple regression analysis) is a linear regression test by connecting more than one independent variable or predictor. The results of the path coefficient of Return on Equity, Debt to Asset Ratio, and Inflation on Firm Value are as follows:

Table 4. Analysis Results

Dependen variabel	Variabel Independen	Coefficent Beta	t hitung	Sig.	Keterangan
Nilai Perusahaan	ROE	0,135	1,215	0,228	Tidak signifikan
	DAR	-0,257	2,296	0,024	Signifikan
	Inflasi	-0,127	1,120	0,266	Tidak signifikan
R **:** 0,294[a] R^2 **:** 0,086 Adjusted R^2 **:** 0,050 t-tabel **:** 1,98 f-tabel **:** 2,87					

Source: data managed, 2022

PThe effect of ROE (X1) on Firm Value (Y) has a tcount of 1.215> ttable of 1.98. With a probability value of 0.228 as well as a coefficient of 0.135, because (P-value 0.228> 0.05) which means ROE (X1) does not have a significant impact on Company Value (Y).

The effect of DAR (X2) on Firm Value (Y) has a tcount of 2.296> ttable of 1.98. With a probability value of 0.229 as well as a coefficient of -0.257, because (P-value 0.024 <0.05) which means DAR (X2) has a significant impact on Firm Value (Y).

The effect of Inflation (X3) on Firm Value (Y) has a tcount of 2.296> ttable of 1.98. With a probability value of 0.797 as well as a coefficient of -0.127 because (P-value 0.266> 0.05) which means Inflation (X3) does not have a significant impact on the probability value (Y).

These results display if ROE (X1), DAR (X2), and inflation (X3) contribute to Firm Value (Y).

Y = 0.135 X1 - 0.257 X2 -0.127 X3

R Square displays a value of 0.086 with a percentage form of 8.6% has an Fcount of 2.39 < Ftable of 2.37. These results prove that ROA, DAR, and Inflation flow do not have an influence simultaneously on the company value (Y).

DISCUSSION

Based on the research obtained, it is known that ROE has an influence on the value of the company has a calculation with a number of 1.215 < table of 1.98. Then the probability value owned is 0.228 and the coefficient is 0.135, because (P-value 0.228> 0.05) means ROE and X1 do not have a significant impact on the company's value or Y. Profitability is a measurement of the company's success (management efficiency) when creating profits. Profitability is proxied through

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ROE, the reason ROE was chosen because the ratio is used to measure the performance of a company's management in processing existing equity so that profit after tax can be generated. Thus ROE partially does not have a significant impact on stock prices. ROE is a ratio that aims to measure net profit after tax through personal funds. If the ROE owned is high, it will make the company's value also high from the perspective of investors and potential investors which can ultimately cause the share price to be high. Large company profitability will make the company value also enlarge. In order for the company's value to be high, the company must improve its financial performance. Small profitability reflects poor prospects for the company in the future, which ultimately makes investors not respond, resulting in a decrease in company value.

Furthermore, based on the research obtained, it can be seen that the effect of DAR which is denoted by 2 on the company's value, namely Y, has a tcount of 2.296> ttable of 1.98. Then the probability value of 0.229 is also the coefficient of -0.257, because (P-value 0.024 <0.05) so DAR (X2) has a significant impact on the company's value, which means that DAR (X2) has a significant impact on the company's value denoted by Y. The emergence of solvency is due to companies that want to meet their daily needs in operations that use assets as well as capital sources that trigger fixed expenses in the form of depreciation rates on fixed assets, as well as interest rates on debt can also make returns increase as well as the income obtained by the company and shareholders. In solvency ratio research using DAR.

After that, based on the research obtained, it can be seen that the degree of inflation with the symbol in the form of X3 on the value of the company, namely Y, has a t-count of 2.296> t-table of 1.98. With a probability value of 0.797 as well as a coefficient of -0.127 because (P-value 0.266> 0.05) so the degree of inflation has an insignificant impact on the value of the company or Y. A country that is experiencing inflation can affect the value of the company if investors set aside some of their wealth in order to invest in shares in the company that will affect the benefits that will be obtained. Of course, inflation can be controlled based on the degree of seriousness as well as factors that have an impact on inflation so that later trends do not occur continuously.

And, based on the research obtained, it can be seen that TOE, DAR, and inflation simultaneously do not have a significant impact on the company's value. The growth of company value from year to year fluctuates. When reviewing the existing average on the value of the company there was an increase during 2019 with the total range at 2,750. On the other hand, the smallest company value is Hartadinata Abadi Tbk (HRTA) to be precise in 2018, namely -0.642.

CONCLUSIONS

Based on the research obtained as well as the explanation earlier, a conclusion can be drawn in the form of: 1) ROE does not have a significant impact on Firm Value; 2) DAR has a significant impact on Firm Value, then; 3) Inflation does not have a significant impact on Firm Value; and 4) Simultaneously ROE, DAR, as well as inflation simultaneously do not have a significant impact on Firm Value.

It has been carried out in the study based on scientific procedures, however, it still has a limitation, namely 1). in the study, only ROA, as well as DAR were used to carry out financial performance measurements, if if you use additional other

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ratios, maybe the research results will be much more varied; and 2) subjective in assessing the value of the company is very broad, the problem experienced is that each reader or investor reviews the company's financial performance and inflation from a different perspective, so that readers or investors are able to make decisions before investing in manufacturing sector companies in the consumer goods sub-sector.

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