
**EFFECT OF RETURN ON ASSETS (ROA), RETURN ON EQUITY (ROE),
AND NET PROFIT MARGIN (NPM) ON THE COMPANY'S VALUE IN
MANUFACTURING COMPANIES LISTED ON THE EXCHANGE
INDONESIA SECURITIES YEAR 2016-2019**

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Abstract

The purpose of this study is to analyze the influence of Return On Assets (ROA), Return On Equity (ROE), and Net Profit Margin (NPM) on the Value of Companies In Manufacturing Companies Listed on the Indonesia Stock Exchange In 2016-2019 partially or simultaneously. This research was designed using associative quantitative methods. The samples in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX). The selected period is 2016 to 2019 using the purposive sampling method. The analysis technique in this study is multiple linear regression analysis. The analysis results proved that Return on Assets and Return on Equity positively affect the Company's Value. At the same time, Net Profit Margin does not positively affect the Company's Value. The analysis results also found that Return on Assets, Return on Equity, and Net Profit Margin simultaneously affect the Company's Value.

Keywords: Return on Assets, Return on Equity, Net Profit Margin, Company Value

1. Introduction

The purpose of the establishment of the company, among others, to achieve maximum profit, want to prosper the owner of the company shares (wealth of shareholder) or the owner of the company (wealth of the shareholder), and maximize the value of the company (market value of the firm) reflected in its share price (Sudana, 2015). Increasing the company's value is very important for a company because increasing its value will increase shareholders' prosperity, which is the company's primary goal.

Maximizing the company's value means maximizing the present value of all profits that shareholders will receive in the future or long-term oriented. For companies that go public, its value can be reflected through the stock market price (Sudana, 2015).

Factors that can affect the value of the company include profitability factors. High profitability indicates a good corporate outlook that triggers demand for shares by investors. The investor's positive response will increase the share price and further increase its value (Hermuningsih, 2013). The profitability ratio used by this study includes Return On Assets (ROA), Return On Equity (ROE), and Net Profit Margin (NPM).

Return On Assets (ROA) is a ratio that shows how much an asset plays in creating a net profit (Hery, 2015). The greater the ROA ratio shows the company's asset management's efficiency and

effectiveness, the better (Hanafi, 2010). Research conducted by Parhusip et al. (2016) found that Return On Assets significantly impacted its value. However, research conducted by Cahyanto et al. (2014) and Agustiani (2016) prove that the ROA variable has no significant partial effect on the company's value.

Return on Equity (ROE) is another factor that can affect the value of the company. ROE is the company's ability, through the appointment of its capital in the company to generate profit after tax (Sudana, 2015). If ROE increases, it will result in the company's share price increases as well. This will increase the profitability enjoyed by shareholders. Research Cahyanto et al. (2014) prove that ROE variables have a partially significant effect on their value. However, Agustiani (2016) and Rosikah et al. (2018) concluded that Return on Equity (ROE) had no significant effect on the company's value.

Net Profit Margin (NPM) is also an essential factor that can affect the company's value. Kasmir (2016) explains that Net Profit Margin (NPM) is a measure of profit based on the comparison of profit after interest and tax with sales. This comparison states that the greater the ratio will be better. This is due to the company's good performance can generate a significant net profit through its sales activities so that the shares are much in demand by investors and increase the price of the share price. Tikawati (2016) found that Net Profit Margin had a positive and significant effect on its value.

2. Library Review

2.1 Return on Assets (ROA)

Return on Assets is one of the profitability ratios of money that can describe a company's condition. Kasmir (2016) says ROA is a ratio that states the return on the number of assets utilized in the company. ROA serves to know the level of effectiveness of the company's overall operations. The larger the ratio, the better because the company can use its assets effectively in bringing profit.

2.2 Return On Equity (ROE)

Shareholders can determine how much investment returns on each amount they invest using the Return On Equity ratio. Kasmir (2016) explains that ROE is the ratio measuring net profit after tax with its capital. ROE growth states that the company's prospects are getting better because it can increase its profit. ROE demonstrates the efficiency of own capital use.

2.3 Net Profit Margin (NPM)

The ratio of Net Profit Margin can measure the profit from the company's business activities. Kasmir (2016) explains that Net Profit Margin (NPM) is a measure of profit by comparing profit after interest and tax compared to sales. This ratio shows that the bigger the ratio, the better because a good company's performance can generate a significant net profit through its sales activities. The shares are in great demand by investors and increase the share price.

2.4 Company Value

The company's value is the ratio of market value, which describes the conditions that occur in the market. This ratio can explain the company's management of the implementation conditions to be implemented and its impact in the future (Fahmi, 2015). According to Sartono (2016), the company's value is maximizing shareholders' prosperity can be achieved by maximizing the present value, or the present value of all shareholders' profits will increase if the share price has increased.

2.4 Framework

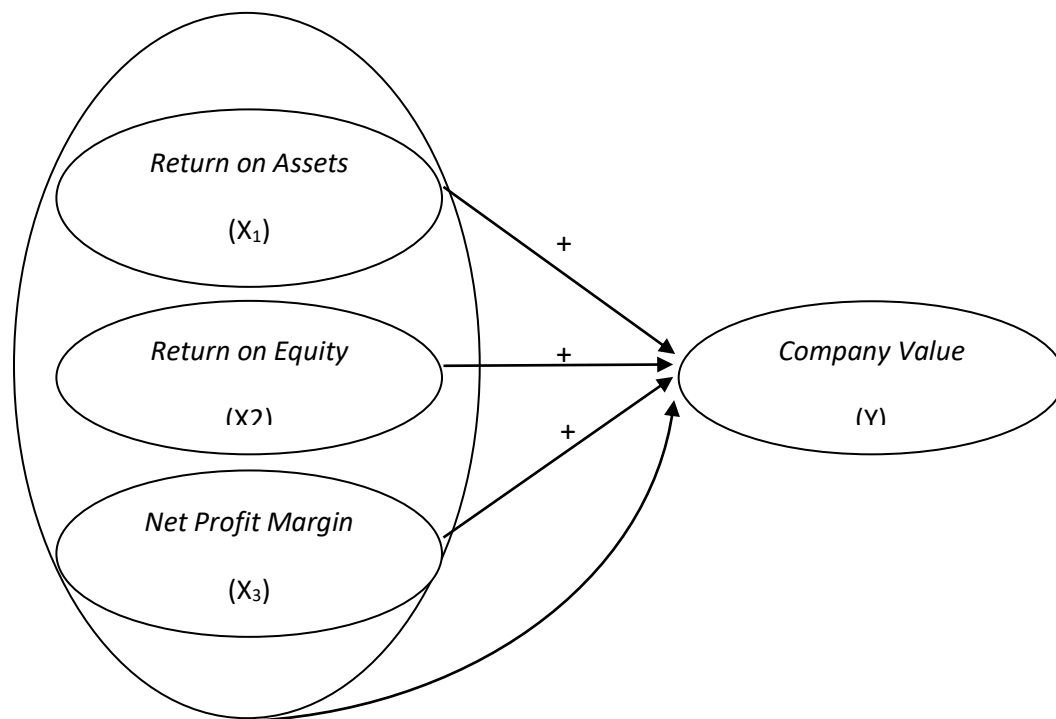


Figure 1. Conceptual Framework

2.9 Formulation of Hypotheses

1. H1: It is suspected that Return On Assets positively affects the Value of Companies in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2019.
2. H2: It is suspected that Return On Equity positively affects companies' value in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2019.
3. H3: It is suspected that Net Profit Margin positively affects the Value of Companies in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2019.

4. H4: Alleged Return On Assets, Return On Equity, and Net Profit Margin positively affect the Value of Companies In Manufacturing Companies Listed on the Indonesia Stock Exchange In 2016-2019.

3. Research Methods

This research was designed using quantitative methods related to numbers and statistical analysis techniques. The study's design uses associative methods with causal relationships because this study aims to explain causal relationships in the form of influences between variables through hypothesis testing through general theory.

3.1 Population and Samples

The population in this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX). The selected period is 2016 to 2019. Sampling techniques in this study using the purposive sampling method, a sampling technique based on specific criteria that will be used as a consideration in selecting samples. The samples in this study were based on the following criteria:

1. Manufacturing companies listed on Indonesia Stock Exchange during the period 2016-2019
2. Manufacturing companies that issued complete financial statements during the period 2016-2019 in a row
3. Manufacturing companies that issue their financial statements in rupiah
4. Manufacturing companies that have a positive profit value during the period 2016-2019

3.2 Operational Variables

The variables used in this study are as follows:

1. Independent variable

a. Return On Assets (ROA)

Return On Assets (ROA) demonstrates the ability of capital invested in an entire asset to generate profits for all investors (bondholders and stocks). The ROA formula can be written as follows:

$$\text{Return On Asset} = \frac{\text{net income}}{\text{Assets}} \times 100\%$$

b. Return On Equity (ROE)

Return On Equity (ROE) is a comparison between net ratio and own capital. This ratio represents the share of profit derived from (or being the right) of the capital itself and is often used by investors to purchase shares of a company. The calculation formula of Return On Equity (ROE) is as follows:

$$\text{Return On Equity (ROE)} = \frac{\text{Net Profit After Tax}}{\text{Total Equity}} \times 100\%$$

c. Net Profit Margin (NPM)

Net Profit Margin is a ratio used to demonstrate a company's ability to generate net profit after tax. The calculation formula of Net Profit Margin (NPM) is as follows:

$$\text{Net Profit Margin (NPM)} = \frac{\text{Net Profit After Tax}}{\text{Sales}} \times 100\%$$

2. Dependent variable

The value of the company. The company's value is maximizing shareholders' prosperity can be achieved by maximizing the present value, or the present value of all shareholders' profits will increase if the share price has increased. The company's value measurement in this study was measured using Tobin's Q ratio. This ratio can be described as comparing the company's assets' market value as measured by the market value of the number of shares outstanding and the debt (enterprise value)to the company's assets' replacement cost. The calculation formula is used as follows:

$$\text{Tobin's Q} = \frac{\text{EMV} + \text{D}}{\text{EBV} + \text{D}}$$

Notes:

EMV = Equity Market Value

EBV = Equity Book Value

D = Total debt

Equity Market Value is obtained from the multiplication of the closing price of the year-end share price (closing price) with the number of shares outstanding at the end of the year. While Equity Book Value is obtained from the difference between total assets and total liabilities.

3.3 Types and Data Sources

The types of data collected for this study are data on Return On Assets (ROA), Return On Equity (ROE), Net Profit Margin (NPM), and Company Value obtained from elements in the company's financial statements. That including net income, net income after tax, sales, asset value, the value of liabilities, capital value, and share price. The research data source uses secondary data, which researchers indirectly obtain through intermediary media.

3.4 Data Collection Methods

The documentation method is used as a data collection method in this study by collecting, recording, and assessing secondary data.

3.5 Data Analysis Methods

Statistical analysis method in the form of multiple linear regression analysis with the help of statistical processing program namely Statistical Package for The Social Sciences (SPSS) is used to know how much influence free variables (independent) namely: Return On Assets, Return On Equity, and Net Profit Margin to the variable bound (dependent), i.e., the Company Value.

4. Analysis Results

4.1 Multiple Linear Regression Analysis

Multiple Linear Regression Analysis is used to measure how much influence each free variable consists of Return On Assets, Return On Equity, and Net Profit Margin against dependent variables The company's value (Y).

Table 1. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		t calc	Sig
	B	Std. Error		
Constant	0.888	0.160		
Return On Assets (X ₁)	0.262	0.029	9.011	0.000
Return On Equity (X ₂)	0.046	0.010	4.754	0.000
Net Profit Margin (X ₃)	-0.212	0.020	-10.62	0.000

Based on table 1 above, the regression equation can be formulated as follows:

$$\text{Company Value} = 0.888 + 0.262 \text{ Return On Assets} + 0.046 \text{ Return On Equity} - 0.212 \text{ Net Profit Margin}$$

4.2 F Statistical Test

Based on the results of test F according to calculations using SPSS software, help can be seen in the attachment as in the following table:

Table 2. F Statistical Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1399.439	3	466.480	126.668	0.000
	Residual	1016.424	276	3.683		
	Total	2415.863	279			

Based on the calculation using SPSS obtained a significant level value of 0.000 or < 0.05. This indicates that H₀ was rejected and H₁ was accepted. So it can be concluded that all free variables consisting of Return On Assets, Return On Equity, and Net Profit Margin have a significant effect simultaneously on the company's value.

4.3 Multiple Determination Coefficient Analysis (R²)

Coefficient of determination (R²) is an accuracy analysis tool in multiple linear regression analysis.

Table 3. Multiple Determinations (R²)

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.761	0.579	0.575	1.91903

In table 3 shows the coefficient of determination (R²) of 0.579. This indicates that the 57.9% variation in the company Value variable is explained by the Return On Assets, Return On Equity, and Net Profit Margin variables. Simultaneously, the remaining 42.1% were influenced by other variables not included in this study.

4.3 Test Statistics t

T-test results according to calculations using SPSS software assistance can be seen in the attachment as in the following table:

Table 4. Partial Test (T-test)

Model Anova	T _{calc}	Sig.
Return On Assets (X ₁)	9.011	0.000
Return On Equity (X ₂)	4.754	0.000
Net Profit Margin (X ₃)	-10.62	0.000

Based on Table 4 obtained test results as follows:

1. The variable significant level value of Return On Assets is 0.000. The significant level is smaller than the alpha level of 0.05, so it is concluded that Return On Assets affects its value.
2. The significant variable rate of Return On Equity is 0.000. The significant level is smaller than the alpha level of 0.05, so it is concluded that Return On Equity affects its value.
3. The value of the variable level net profit margin of 0.000, where the significant level is smaller than the alpha level of 0.05. So it was concluded that Net Profit Margin affects the value of the company.

4.4 Discussion

1. Effect of Return On Assets on Company Value

The results showed that Return On Assets has a partial influence on its value because it indicates 0.000 or < 0.05. Return On Assets relationship with company value based on regression coefficient shows a positive direction. The higher the Return On Assets, the higher the value of the company. This result indicates that the hypothesis that reads "Alleged Return On Assets

positively affects the Value of Companies In Manufacturing Companies Listed on the Indonesia Stock Exchange Year 2016-2019" is proven.

The results of this study are consistent with the results of Widowati (2016); Rosikah et al. (2018), where Return On Asset (ROA) has a positive and significant effect on the value of the company. Meanwhile, Agustiani's research (2016) proves that Return on Asset (ROA) has no significant effect on its value.

2. Effect of Return On Equity on Company Value

The results showed that Return On Equity has a partial influence on its value because it indicates 0.000 or < 0.05 . Return On Equity's relationship with its value based on the regression coefficient shows a positive direction. The higher the Return On Equity, the higher the value of the company. This result indicates that the hypothesis that reads "Alleged Return On Equity positively affects the Value of Companies In Manufacturing Companies Listed on the Indonesia Stock Exchange Year 2016-2019 "is proven. This explains that the greater the Return On Equity owned by companies identified with a significant total asset change affects its value.

The positive link between Return On Equity and its value indicates that a company with high growth will provide a good signal for investors because its profit will increase. That indicates that the company is in good condition, as evidenced by Widowati (2016), Janice & Toni (2020), Alghifari et al. (2013), where Return On Equity (ROE) positively and significantly affects the value of the company. However, this is not similar to Agustiani's research (2016); Rosikah et al. (2018) prove that Return on Equity (ROE) has no significant effect on the company's value.

3. Effect of Net Profit Margin on Company Value

The results showed that Net Profit Margin has a partial influence on the company's value because the sig value indicates 0.000 or < 0.05 . The relationship of Net Profit Margin with the Company's Value based on the regression coefficient indicates a negative direction. The higher the Net Profit Margin, the lower the value of the company. This result indicates that the hypothesis that reads "Alleged Net Profit Margin positively affects the Value of Companies In Manufacturing Companies Listed on the Indonesia Stock Exchange Year 2016-2019 "is not proven. This explains that the greater the ability of companies to generate net profit after tax cuts, the company's value is negatively affected. This study's results are not in line with Tikawati, (2016) opinion, which found that net profit margin has a positive and significant effect on its value. This is also in contrast to the research results conducted by Janice & Toni (2020), where Net Profit Margin does not affect the company's value.

5. Conclusion

1. Variable Return on Assets positively affects the Company's Value in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2019.
2. Variable Return on Equity positively affects companies' value in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2019.

3. Variable Net Profit Margin has no positive effect on the Company's Value in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2019.
4. Variable Return on Assets, Return on Equity, and Net Profit Margin simultaneously affect Companies' Value in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2019.

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