INFLUENCE OF RETURN ON EQUITY (ROE) AND DEBT EQUITY RATIO (DER) ON COMPANY VALUE AND SHARE PRICES

by Turnitin Indonesia

INFLUENCE OF RETURN ON EQUITY (ROE) AND DEBT EQUITY RATIO (DER) ON COMPANY VALUE AND SHARE PRICES

Rima Ramadhani Salsabila
Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA), Surabaya, Indonesia
rima.ramadhani35@gmail.com

Triyonowati
Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA), Surabaya, Indonesia
triyonowati_elearning@stiesia.ac.id

Suhermin
Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA), Surabaya, Indonesia
suhermin@stiesia.ac.id

Abstract

This study aimed to examine and analyze the effect of Return On Equity (ROE) and Debt to Equity Ratio (DER) on firm value and the stock price in Real Estate and Property; through annual financial statements and the company's performance that were listed on the Investment Gallery of Indonesia Stock Exchange, STIESIA. Besides, it aims to examine and analyze the effect of Return On Equity and Debt to Equity Ratio on stock prices either directly or indirectly, through firm value. Since firm value was a mediating variable, it could measure the company's performance that was reflected in stock price. Furthermore, the population was 49 companies that were listed on the Gallery of Indonesia Stock Exchange, STIESIA during 2015-2021. The data collection technique used purposive sampling. In line with that, there were 11 Real Estate and Property companies as the sample. Additionally, the data analysis technique used multiple linear regression with path analysis and causal step, as well as SPSS (Statistical Product and Service Solutions). As a result, it is concluded that ROE and DER have a significant effect on firm value. Likewise, the firm value had a significant effect on the stock price. Both ROE and DER have an insignificant effect on the stock price. While DER could increase the risk for stakeholders. In other words, the higher the DER was, the lower the stock price (undervalued) would be. As a result, the stock won't interest the stakeholders. On the other hand, the firm value may not be the mediating variable of ROE on the stock price. However, the firm value could mediate DER on stock price (full mediation). In conclusion, Debt to Equity Ratio (DER) could encourage the stakeholders to invest their stocks in Real and Property companies.

Keywords: ROA, DER, Firm Value, Stock Price

INTRODUCTION

The establishment of the company must have clear goals, the main goal the company wants to achieve is maximum profit. If the company can obtain maximum profits, the share price will increase. As share prices rise, company owners or shareholders will prosper. If the investors are prosperous in a company, they will be able to maximize the value of the company, so this will affect the share price. Each company should have a different emphasis from one another.

The share price is the price determined by a company to other parties who want to own shares, and this price can vary based on the performance results of each company. Share prices in real estate and property companies have decreased since the beginning of the year due to the Covid-19 pandemic which has suppressed people's purchasing power. This is reflected in the IDX Property and Real Estate sector which was depressed by up to 4.85% year to date (ytd). This decline was the deepest on the stock exchange after the IDX Technology sector which fell by 9.76%. On the other hand, the decline in shares was influenced by the Fed's plan to raise interest rates which will most likely be followed by an increase in the BI-7 Day Reverse Repo Rate.(Intan, 2022). Besides that, conflict between Russia and Ukraine also creates negative sentiment because it can increase the prices of components such as steel, iron and cement. If you look at RTI Business data, the large cap stocks that have declined quite deeply since the beginning of the year include BKSL and LPKR, both of which experienced a decline of 8.47% ytd and 1.42% ytd. In his observations, it seems that investors are still waiting and seeing regarding BKSL while waiting for developments in the rights issue. Meanwhile for LPKR, its performance still recorded a net loss of IDR 573.29 billion, so investors tend to wait and see for this issuer (Nasution, 2022). Therefore, this sector is quite attractive and can be looked at by investors.

In this era of increasingly fierce business competition, maximizing company value is a very important goal, especially for companies that are going public. The company value seen through the share price will illustrate the probability of good investment, because it is able to provide positive signals to investors about the investor's welfare and future prospects, thereby increasing the value of a company. The company value in this test is proxied using market price per book value (PBV). The greater the ratio of market price per book value, the greater the welfare of investors in a company (Mudjijah et al., 2019).

In this research, the leverage ratio uses the Debt to Debt-Equity Ratio (DER), where this ratio is used to monitor and maintain the quality of the company's health. DER is the debt to equity ratio and is a financial ratio that compares the amount of debt with equity. The equity and amount of debt used for company operations must be in a proportional amount (Ningrum et al., 2022). The phenomenon that occurred was a decrease in net profit at Bumi Serpong Damai Tbk, but this was accompanied by a decrease in the debt to equity ratio and a high level of liquidity (W/Liesya/ 2021/Analis BNI Securities).

Return on Equity Ratio is a profitability ratio that measures a company's ability to generate profits from shareholder investments in the company. An increase in this ratio from year to year for a company means that there is an increase in the net profit of the company concerned (Nurlatipah etc, 2023). An increase in net profit can be used as an indication that the value of the company is also increasing because an increase in the net profit of a company in question will cause share prices which also means an increase in the value of the company (Jufrizen & Sari, 2019). A company can be said to be doing a good job if it produces a profit or profit on every share trade. Indicators for investors when investing in a company can be seen through its share price. Stock prices experience increases and decreases depending on the strength of supply and demand from investors. If demand is high then prices will rise, conversely if supply is high prices will fall (Muchtar, 2021).

Debt to Equity Ratio (DER) is a ratio that functions as a measuring tool for loans owned from own capital. This ratio is used to weigh the interval (time) of the loan and the issuer's capital (Hanafi & Halim, 2018). Businesses can take advantage of opportunities to expand their business by borrowing additional funds. A company certainly wants maximum profits with minimum risks. A company's ability to pay off its debt using its own capital can be measured using DER. DER can be used as a measuring tool to what extent a company is financed by creditors. Currently, companies that have a small DER value are not necessarily better than companies that have a larger DER, because basically companies cannot avoid debt. Every company needs working capital which sometimes cannot be funded by the profits earned by the company. If the company's debt can be minimized, the company will be able to finance the company's assets. The greater the debt ratio value, the stronger the company's debt. This means that the company's obligations to other parties are increasingly dominant. Apart from that, company value is an important component to increase the company's success with share prices (Nurlatipah etc, 2023). High share prices have high company value and raise market expectations not only regarding the company's performance but also the company's future prospects.

The significant increase in property development indicates that significant economic improvements are starting towards a better future. Economic growth in Indonesia, which grows at around 5% per year, is supported by the property and real estate sub-sector (Manurung et al., 2022). However, Indonesia experienced consecutive economic slowdowns in the second, third and fourth quarters of 2020 due to the Covid-19 pandemic. The Covid-19 pandemic has had a slowing impact on economic sectors from small scale to large scale companies (Noor & Fadhaillah, 2022). This slowdown has had a negative impact on various sectors in Indonesia, including the property sector. Most property prices, such as houses, apartments and motor vehicles, experienced quite sharp declines. This is due to a decrease in demand for property in line with increasing public caution in spending amid the pandemic (Kencana, 2020).

However, a decrease in property prices does not always have a bad impact. A decrease in property prices can be beneficial for some people who still need property as a primary need. Moreover, there are many offers of reduced interest rates and ease of transactions, attracting quite a lot of people's interest in property transactions (Rapsanjani & Hendayana, 2023).

Based on the results of the Bank Indonesia Residential Property Price Survey (SHPR) in the second quarter of 2021, there was an increase in residential property prices, where (IHPR) was recorded at 1.49% (yoy) higher than in the first quarter of 2021, namely 1.35% (yoy) (Erwin, 2021). This data shows that there is still positive property price movement amidst the pandemic. This also shows the continued increase in demand for residential property. Primary residential property sales in the second quarter of 2021 showed a decline on an annual basis. Home sales in that period recorded a contraction of -10.01%, down from 13.956% in the previous quarter, but better than the -25.6% contraction in the second quarter of 2020. The decline in sales volume in the second quarter of 2021 occurred in the small (-15.4%) and large (-12.99%) house types, while the medium house type recorded slow growth (3.63%). The hampered growth in residential property sales was caused by several factors, including rising prices of building materials, licensing/bureaucratic problems, a high proportion of down payments in KPR applications and taxation. Apart from that, from the consumer side, the majority of residential property purchases are still financed from KPR facilities. This is reflected in the survey results which indicate that the majority of consumers (75.08%) purchased residential property using KPR facilities, while another 16.89% purchased cash in installments and 8.04% in cash (Setyaningsih, 2021).

The considerations for choosing the Real Estate and Property Sector, selected from the nine sectors listed on the IDX, are Real Estate and Property, which is a group of shares with high liquidity that is selected based on a number of criteria. The Real Estate and Property sector is an investment that is usually long term. As a result, investors will receive profits that will last a long time and will increase as population and human needs increase. Apart from that, the Indonesian Stock Exchange (BEI) regularly monitors developments in the performance of stock components. Share replacement is carried out if there are shares that do not meet the selection criteria, then these shares are removed from the index calculation and replaced with other shares that meet the criteria (Sunariyah, 2011).

Real estate and property companies are interesting companies to be used as research objects because, in this sector, the profits that will be obtained are quite high, especially for long-term investments with a table of fluctuating share price movements as follows:

Table 1
Share Prices of Property and Real Estate Companies listed on the IDX 2015-2021

Code Issuer	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021
BAPA	50	50	88	109	107	50	68
BIPP	88	90	73	88	83	55	51
CTRA	1451	1335	1185	1010	975	985	970
DUTI	6400	6000	5400	4390	4370	3800	3390
EMDE	144	140	260	254	252	192	166
GAMA	55	50	69	58	51	50	50
GPRA	199	183	103	110	106	75	87
GWSA	123	129	150	142	138	135	183

Code Issuer	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021
JRPT	745	875	900	740	580	600	520
KIJA	245	290	286	276	260	214	166
LCGP	620	135	80	130	129	114	114
MKPI	16875	25750	36500	22500	16975	28000	24925
MMLP	798	684	570	520	480	298	565
MYRX	127	169	110	119	108	50	50
TARA	560	655	780	880	855	50	50
PUDP	420	380	450	480	456	338	352

Source: Processed from the Indonesian Stock Exchange Gallery

Based on table 1, it shows that share prices have fluctuating values caused by various factors. Over the past 7 years, share prices have experienced increases and decreases in prices. In 2017 the share price had the highest value of 36,500, namely the MKPI company and had the lowest value of 50 for the GAMA, MYRX, TARA companies. This is because the share price level in a company is also a reflection of the company's performance, cash flow, production and sales levels and growth. So using the average value for 7 years to see the fluctuating trends of each company due to the influence of internal and external factors of the company. Factors within the company include announcements about marketing product sales such as advertising, capital costs such as equity and debt, management board of director announcements such as organizational structure changes, verified takeover announcements such as merger and acquisition reports, investment announcements such as factory expansion, employment announcements such as new contract negotiations, and company financial information. Meanwhile, factors outside the company include government announcements (such as the transformation of interest rates and deposits), legal news such as petitions against the company or its managers and securities industry notifications (Handika et al., 2021).

Investment decision factors and financing decisions The wealth of shareholders and companies is represented by stock market prices, which reflect investment decisions and financing decisions. Investment decisions include decisions made by the company in spending the funds it has in the form of certain assets in the hope of gaining future profits. Every company in terms of finances must make good investment decisions and good funding decisions. Companies make investments aimed at gaining profits in the future (Bearly, 2022).

Based on previous research related to ROE and DER, it shows that ROE has a positive and significant impact on stock prices and DER has a positive but not significant impact on stock prices. The ROE and DER variables have a significant impact on stock prices (Kamar, 2017). Other research shows that Return on Assets and Net Profit Margin have a negative and insignificant effect on stock prices and the Return on Equity, Debt Equity Ratio and Current Ratio variables have a positive and significant effect on stock prices (Yanto et al., 2021). However, on the other hand, this research contradicts the research results Munira et al (2018) that says ROE has no influence on share prices and DER has an influence on share prices. This shows that even though the same variables are used in a study, the results obtained are not the same.

Referring to several previous studies, this research aims to empirically test and analyze several things, namely: First, to test and describe the influence of Return On Equity on the value of the real estate and property sectors listed on the Indonesia Stock Exchange in 2015-2021. Second, to test and analyze the influence of the Debt to Equity Ratio on the value of real estate and property sector companies listed on the Indonesia Stock Exchange in 2015-2021. Third, to test and analyze the effect of Return On Equity on share prices in the real estate and property sectors listed on the Indonesia Stock Exchange in 2015-2021. Fourth, to test and analyze the influence of the Debt To Equity Ratio on share prices in the real estate and property sectors listed on the Indonesia Stock Exchange in 2015-2021. Fifth, to test and analyze the influence of Company Value on share prices in the real estate and property sectors listed on the Indonesia Stock Exchange in 2015-2021. Sixth, to test and analyze whether company value mediates Return On Equity on share prices in the real estate and property sector listed on the Indonesia Stock Exchange in 2015-2021. Seventh, to test and analyze whether company value mediates the Debt To Equity Ratio on share prices in real estate and property companies listed on the Indonesia Stock Exchange in 2015-2021.

REVIEW OF LITERATURE

Company value is an indicator for measuring the success of a company through share prices. High share prices result in high company value and increase market confidence in the company's future prospects. On the other hand, if the share price falls, the company value also falls, which means the company's image is bad. Investors' perceptions of the company's level of success greatly determine the demand for and supply of share prices. Maximizing company value is very important for the company, because maximizing company value means maximizing the company's main objectives (Nurlatipah etc, 2023). The higher the company value, the higher the selling price of the company, because many investors want to invest their funds, with the aim of maximizing profits (Sartono, 2010).

The amount of share price value influenced by demand and supply that occurs between sellers and buyers of shares. A company's stock price at peak profitability means investors will not invest in the company. The standard for good company shares is that the company does not have large debts, and the company can continue to increase in value every month, and the company is able to buy low and sell high (Nurlatipah etc, 2023). Through signaling theory, shareholders will benefit because shareholders can see the company's future prospects. So shareholders can also assess whether the company has good quality or whether it has bad quality. Brigham and Houston (2010) suggests that signaling theory is the shareholder's perception of the company's future opportunities to increase company value, and this information is provided to shareholders by company management. This action is carried out by the company to provide signals to shareholders or investors about the company's management to understand the company's future prospects, thereby distinguishing good companies from bad ones.

Return on Equity (ROE) namely a tool that is commonly used by investors and company leaders to measure how much profit is obtained from the company's own capital. For investors, REO analysis is important because with this analysis it is possible to determine the profits that can be obtained from the investments made. For companies, this analysis is important because it is an attractive factor for investors to make investments (Kasmir, 2014). Return on Equity is a profit on ordinary share savings which plays a role in estimating the level of profit obtained from shareholder capitalization. Funders view that Return On Equity describes a valuable profitability index, the size of the return on equity depends on the size of the company in generating optimal profits.

Debt to Equity Ratio (DER) is determining the proportion of a company's liabilities in its capital structure. Measuring the company's business risk which increases as the number of liabilities increases is very dependent on this ratio. DER is a ratio used to determine the comparison between total debt and own capital. The purpose of use is to find out the comparison between total debt and own capital. This ratio is useful for knowing how much of a company's assets are financed from debt. This ratio is useful for knowing how much of a company's assets are financed from debt (Kasmir, 2014).

Company size is a value that shows how big or small a company is. Company size is a scale where the size of the company can be classified according to various ways, including total assets, log size, share market value, etc. (Hery, 2017). The size of the company will affect its ability to bear risks that may arise from various situations faced by the company. Large companies have lower risks than small companies. In addition, large companies have more resources to increase company value.

RESEARCH METHOD

This research uses a quantitative approach, namely a type of research that emphasizes testing theories through measuring research variables with numbers that require data analysis using statistical procedures (Machali, 2018), namely using comparative causal comparisons (Causal Comparative).

The research population in this study are companies operating in the real estate and property sector that are listed on the Indonesian Stock Exchange during 2015-2021. The population in this study was 49 real estate and property sectors listed on the Indonesian Stock Exchange. The sampling technique used was purposive sampling with the determination that companies in the real estate and property industry were listed on the Indonesia Stock Exchange from 2015-2021, being company whose share prices fluctuated from 2015-202 and had been operating in the real estate industry and property for more than 25 years. Referring to these criteria, 11 companies were obtained, namely as follows:

Table 2
Sample List of Real Estate and Property Companies

No.	Company Code	Company name
1.	BAPA	Bekasi Asri Pemula Tbk.
2.	BEST	Bekasi Fajar Industrial Estate Tbk.
3.	BKSL	Sentul City Tbk. (d.h Bukit Sentul Tbk)
4.	CTRA	Ciputra Development Tbk.

5.	EMDE	Megapolitan Development Tbk.
6.	GAMA	Gading Development Tbk.
7.	GPRA	Perdana Gapura Prima Tbk.
8.	GWSA	Greenwood Sejahtera Tbk.
9.	KIJA	Kawasan Industri Jababeka Tbk.
10.	LPKR	Lippo Karawaci Tbk.
11.	MDLN	Modernland Realty Tbk.

Source: Indonesian Stock Exchange Investment Gallery STIESIA processed

In this research there are several variables, namelywhich act as independent variables are ROE (Return on Equity) and Debt to Equity Ratio (DER). The dependent variables are Company Value (NP) and share price. This research used data collectionsecondary data sources, namely exploring data by directly visiting the library section of the STIESIA Indonesia Stock Exchange Gallery (GIBEI) and data regarding financial reports of real estate and property companies from 2015-2021 which are accessed via the internet (www.idx.co.id).

The data analysis technique used is by using the data analysis technique used in this research uses descriptive statistical methods which includeaverage value (mean), standard deviation, maximum and minimum values are calculated using the SPSS program. Inferential statistics include: path analysis, multiple linear regression analysis, classical assumption testing and hypothesis testing.

RESULTS AND DISCUSSION

Hypothesis Testing

Table 4
Research Hypothesis Calculation Results

Variable	Standardized Beta Value	Indirect Influence	Sig.	Information
ROE → PBV	0.254	-	0.013	Significant
DER → PBV	0.561	-	0,000	Significant
ROE → HS	0.147	-	0.182	Not significant
DER → HS	0.241	-	0.065	Not significant
PBV → HS	0.380	-	0.007	Significant
ROE → PBV → HS	=0.147 + 0.097 = 0.244	=0.254 x 0.380 = 0.097		
DER → PBV → HS	=0.241 + 0.213 = 0.454	=0.561 x 0.380 = 0.213		

Source: Processed

From the table above, the interpretation of the results of the hypothesis calculation of the direct and indirect effects of the variables return on equity, debt to equity ratio, price to book value and stock prices operating in the real estate and property sector can be explained as follows:

Analysis of the Effect of ROE on PBV

Hypothesis 1: ROE has a positive effect on company value

Based on the correlation test data, an ROE significance value of 0.013> 0.05 was obtained. It can be concluded that ROE has a significant effect on PBV. Return on Equity (ROE) has a significant influence on company value, the higher the ROE, the better the company value, the share price will also increase. This is because the value of the company is good so that shareholders like to invest their capital in the company. In this way, the company will be more productive, investors will feel that they are getting profits that are greater than their capital costs.

Investors will review a company by looking at financial ratios as a tool for evaluating investments, because financial ratios can reflect the high and low value of the company. Return on equity is a tool to test how big the profit is for funders(Mardiyanto, 2009). The greater the ROE, the more productive the company's performance will be, thereby increasing investor confidence in investing their capital in the company. Company value is an important component to increase stock price frequency for company success. This condition shows the public's trust in the company.

Analysis of the Effect of DER on PBV

Hypothesis 2: DER has a positive effect on company value

From the analysis above, it was obtained that the significance value of DER was 0.000 > 0.05, concluding that DER had a significant effect on PBV. Debt To Equity (DER) has a significant effect on company value due to the difference in the amount of debt to industrial capital. The greater the company's capital composition, the better the company's value. Company value, which is often linked to share prices, is investors' perception of a company. The company value is also high because the share price is high.

Owners want high company value because this indicates that shareholders will also benefit from the company's success. This shows that the debt to equity ratio (DER) is a comparison of assessing debt with equity. The greater the ratio means that the equity is less than the debt (Kasmir, 2014). For companies, it is best that the amount of debt does not exceed its own capital so that the fixed expenses are not too high. Fahmi (2014:75) states that the Debt Equity Ratio is a measure used in analyzing financial reports to show the amount of collateral available to creditors. In this study, the company has a high capital value compared to the total debt it has, resulting in a high debt to equity value. It can be concluded that most of the company's assets are financed with its own capital.(Fahmi, 2016).

Analysis of the Effect of ROE on HS

Hypothesis 3: ROE has a positive effect on share prices

From the data analysis, the significance value for ROE is 0.182 > 0.05, so it can be concluded that ROE has no significant effect on HS. ROE has an insignificant effect because when investors invest capital they will see how much the rate of return on their equity is, if the rate of return is high then the profit generated will also be high so share prices will automatically rise, conversely if the rate of return has a high risk it will result in a decrease share prices because investors tend to avoid risks regarding investments.

Return on Equity (ROE) is not significant on on stock prices on the Indonesia Stock Exchange for companies in the real estate and property sectors, according to research findings. Because the majority of company revenues are financed by debt, return on equity does not have a significant impact on share prices because it takes too long to return equity or returns to investors. As a result, investors do not consider return on equity when buying shares in the business. The higher the liabilities held by the organization, the higher the stakes of the financial backers in making a profit from their speculation, which will have an impact on reducing the cost of shares.(Kasmir, 2014). ROE is a consideration between equity and net profit after tax (EAT). This has an impact on share prices. Equity is the company's own capital, if debt is used to obtain capital, investors will not get returns or profits for a long time. Profits that should be earned more quickly must be returned more quickly because the business is required to pay interest. Therefore, capital should not come from debt to attract investors to invest their capital in shares; The greater the number of investors, the higher the share price will be.

Analysis of the Effect of DER on HS

Hypothesis 4: DER has a positive effect on share prices

From the analysis above, the significance value of DER is 0.065 > 0.05. It can be concluded that DER has no significant effect on HS. DER has no significant effect because investors will see how much the company's ability to fulfill its obligations in managing its capital. The greater the DER a company has, the greater the risk, this reflects that the company is meeting its debts with private capital. Therefore, this is what investors consider when investing their shares in the company.

DER does not have a significant influence on share prices, the level of use of debt as a source of company financing is not optimal. Most of the capital is financed with company debt, resulting in the company's burden becoming heavier. The greater the company's debt, analogous to personal capital, the resulting decrease in share prices. An increase in the DER calculation results will be received by the market as a bad signal which will provide negative input for investors in making decisions to buy shares. This causes demand and share prices to decrease. Share Price is the closing share price (closing price) of each company which is obtained from the year-end closing share price of real estate and property companies listed on the Indonesia Stock Exchange (BEI). Debt is a company's financial obligations to other parties that have not been fulfilled. Debt can be used as a source of funding for the company. Debt is needed by companies that do not have enough money to support their operations. The company's capital is more valuable than its debt, but this does not indicate that the company can use debt to maximize its value because share prices and added value creation are driven by market conditions in the Indonesian capital market. Investors pay less attention to the size of the company's debt because they know more about how the company's management uses these funds (Kasmir, 2014).

Analysis of the Effect of PBV on HS

Hypothesis 5: Company value has a positive effect on share prices

From the analysis of the data above, it was obtained that the PBV significance value was 0.007 > 0.05, it could be concluded that PBV had a significant effect on HS. Company value has a significant impact on share prices because high company value is a determining factor for investors in investing in their shares. If the company value is relatively high, it provides a large share price for the company and strengthens market confidence in the company's future prospects and the company's current development.

This condition shows that high shareholder prosperity will follow high company value, therefore company value is very important. The company's share price rises along with shareholder wealth. The "average" investor's expectations of future cash flows at the time of stock purchase will determine the current stock price. A high PBV ratio reflects the company's high share price because investors are willing to pay a share price higher than its accounting book value, so a high PBV will provide profits for shareholders (Brigham & Houston, 2010).

Analysis of the Effect of ROE via PBV on HS

Hypothesis 6: Company value mediates Return on Equity on share prices

It is known that the direct influence that ROE has on HS is 0.147, while the indirect influence of ROE through PBV on HS is the product of the beta value of ROE on PBV and the beta value of PBV on HS, namely: 0.254 x 0.380 = 0.097. So the total influence that ROE has on HS is the direct influence plus the indirect influence, namely 0.147 + 0.097 = 0.244. Based on the calculations, it is known that the direct effect is 0.147 and the indirect effect is 0.097, which means that the indirect effect value is smaller than the direct effect value. These results indicate that indirectly ROE through PBV has no significant effect on HS. This is because company management policies will influence the company's profit level. When the company's profits increase, it will influence investors in making decisions when investing their capital. This profit will have an impact on the company's prospects, thereby increasing investor confidence and making it easier for company management to attract capital in the form of shares. An increase in demand for shares will indirectly increase share prices on the capital market and increase company value.

Research exploration by researchers based on company value (Y) does not partially mediate return on equity (X1) on share prices (Z) in companies in the Real Estate and Property sector on the Indonesian Stock Exchange. This means that Price to Book Value (PBV) does not act as an intervening variable (mediator), and an increase in return on equity causes share prices to decline, especially in this study. Return on Equity is a profitability ratio that describes a company's ability to provide profits to ordinary shareholders (capital owners) by showing the percentage of net profit available for shareholder capital that has been used by the company.

Where the share price shows the value of the company and is an appropriate index to determine the effectiveness of company performance. The higher the share price, the better the performance of the issuing company, because if the share price increases, it is considered that the company is successful in managing its business. On the other hand, a low share price can mean that the company's performance is not good, because it is considered that the company is not successful in managing its business (Christiawan & Tarigan, 2007). What the company must do is to re-correct the prospects for the activities carried out by the company to make them more productive, so that shareholders will experience profits that are greater than their capital costs. Thus, the findings of this research cannot be generalized to all companies, but only describe the sample studied.

Analysis of the Effect of DER via PBV on HS

Hypothesis 7: Company value mediates DER's positive influence on stock prices

It is known that the direct influence that DER has on HS is 0.241, while the indirect influence of DER through PBV on HS is the product of the beta value of DER on PBV and the beta value of PBV on HS, namely: 0.561 x 0.380 = 0.213. So the total influence that DER has on HS is the direct influence plus the indirect influence, namely 0.241 + 0.213 = 0.454. Based on calculations, it is known that the direct effect is 0.241 and the indirect effect is 0.454, which means that the indirect effect value is greater than the direct effect value. These results indicate that indirectly DER through PBV has a significant effect on HS.

This condition shows that company value (Y) partially mediates the debt to equity ratio (X2) which has a significant effect on share prices (Z) in companies in the Real Estate and Property sector on the Indonesian Stock Exchange. Company value can partially mediate the effect of the debt to equity ratio on share prices because increasing debt can also increase company value which can indirectly increase share prices. The debt to equity ratio is useful for knowing the amount of funds provided by the borrower (creditor) and the company owner. In other words, this ratio functions to find out every rupiah of own capital used as collateral for debt. However, excessive use of debt can lead to the risk of bankruptcy, but this requires managers to work more efficiently to avoid bankruptcy so that the benefits of debt are greater than the risks.

DER is the ratio of long and short term debt (book value of debt) to own capital (market value of equity). DER aims to use company funds from the capital structure which come from the company's obligations to pay off its debts and capital which comes from equity. If the DER is greater, it indicates that the company's capital structure utilizes more debt relative to equity and reflects the company's relatively high risk. This ratio has a relationship between the amount of debt provided by creditors and the amount of own capital provided by the company owner. Rising share prices are certainly influenced by the size of the DER. This shows that investors pay attention to how much capital they finance to the company to generate net profits for them. High investor interest will increase the value of share prices, if share prices rise then the value of the company will also rise(Mudjijah et al., 2019).

Research Limitation

There are several limitations in conducting this research, including: (1). Based on the value with the endogenous variable company value in this study, a low value was obtained, namely 0.427, meaning that 42.7% of the value of return on equity and debt to equity ratio had a weak influence on company value, the rest was influenced by other variables. (2). Based on the value of the endogenous stock price variable in this study, a low value was obtained, namely 0.385, meaning that 38.5% of the value of return on equity and debt to equity ratio had a weak influence on company value, the rest was influenced by other variables. Therefore, companies need to make corrections to the interest expense that will be paid so that it does not have an impact on decreasing the value of share prices. (3). The factors that influence stock prices in this research are only limited to 3 variables, while there are many other factors that can influence them and the number of samples in this research is 11 companies so that more can be added to the company sample.

CONCLUSION

Based on this research, the aim was to examine the influence of Return on Equity (ROE) and Debt to Equity (DER) on company value and share prices. It was found that first, Return on Equity (ROE) had no significant effect on company value (PBV) in companies in the Real Estate and Sector sectors. Property on the Indonesian Stock Exchange. This can be caused by not only looking at the high rate of return when making an investment, but investors also looking at the condition of the investment environment.

Second, Debt To Equity (DER) has a significant effect on company value (PBV) in the Real Estate and Property sector on the Indonesian stock exchange. This means that most of the company's capital is financed by debt and the company is able to manage debt optimally so that the greater this ratio, the better it is for the company.

Third, Return On Equity (ROE) is not significant on share prices in the real estate and property sectors on the Indonesian stock exchange. The higher the liabilities held by the organization, the higher the stakes of financial backers in making a profit from their speculation, which will have an impact on lowering the cost of shares.

Fourth, Debt To Equity (DER) has an insignificant effect on Stock Prices in the real estate and property sectors on the Indonesian Stock Exchange. The greater the company's debt, analogous to personal capital, the result is a decrease in share prices. An increase in the DER calculation results will be accepted by the market as an unfavorable result for investors in investing in shares.

Fifth, capital structure has a positive and insignificant effect on the company value of Automotive and Components companies listed on the Indonesia Stock Exchange for the 2012-2019 period. This can be interpreted as meaning that capital structure cannot be used as a basis for determining changes in company value variables or in other words, capital structure influences company value. Company value has a significant effect on share prices in the real estate and property sectors on the Indonesian stock exchange. This means that the higher a company's PBV ratio means the higher the market's confidence in the company's prospects, so that the higher a company's PBV ratio results in an increase in industrial share prices.

Sixth, financial performance calculated by Return on Equity (ROE) on share prices which is partially mediated by Price to Book Value (PBV) has no significant effect. This means That Price to Book Value (PBV) does not play a role as an intervening variable, especially in this research on companies in the Real Estate and Property sector on the

Indonesian Stock Exchange. And seventh, the Debt to Equity Ratio (DER) on share prices which is partially mediated by Price to Book Value (PBV) has a significant effect.

REFERENCES

Bearly, R. A. (2022). *Dasar- dasar Manajemen Keuangan Perusahaan*. Erlangga.

Brigham, E. F., & Houston, J. F. (2010). *Dasar-dasar Manajemen Keuangan Jilid 1, Ed. 11*. Salemba Empat.

Christiawan, Y. J., & Tarigan, J. (2007). Kepemilikan manajerial: kebijakan hutang, kinerja dan nilai perusahaan. *Jurnal Akuntansi Dan Keuangan*, *9*(1), 1–8.

Erwin, H. (2021). *SHPR Triwulan II 2021: Harga Properti Residensial Tumbuh meningkat*.https://www.bi.go.id/id/publikasi/ruangmedia/newsrelease/Pages/sp_2320121.aspx

Fahmi, I. (2016). *Pengantar Manajemen Keuangan*. CV. Alfabeta.

Hanafi, M. M., & Halim, A. (2018). *Analisis Laporan Keuangan, Edisi Kelima*. UPP STIM YKPN.

Handika, H., Damajanti, A., & Rosyati, R. (2021). Faktor Penentu Fluktuasi Pergerakan Indeks Harga Saham Gabungan (IHSG) Di Bursa Efek Indonesia (BEI). *Solusi*, *19*(3), 153–165. https://doi.org/10.26623/slsi.v19i3.3503

Hery, H. (2017). *Kajian Riset Akuntansi : Mengulas Berbagai Hasil Penelitian Terkini Dalam Bidang Akuntansi Dan Keuangan*. PT. Grasindo.

Intan, K. (2022). *Sektor Properti dan Real Estate Lesu Sejak Awal Tahun, Ini yang Jadi Pemberatnya*. https://investasi.kontan.co.id/news/sektor-properti-dan-real-estate-lesu-sejak-awal-tahun-ini-yang-jadi-pemberatnya

Jufrizen, J., & Sari, M. (2019). Pengaruh Current Ratio, Debt to Equity Ratio dan Firm Size terhadap Return on Equity. *Jurnal Riset Akuntansi: Aksioma*, *18*(1), 156–191. https://doi.org/10.29303/aksioma.v18i1.58

Kamar, K. (2017). Analysis of the Effect of Return on Equity (Roe) and Debt to Equity Ratio (Der) On Stock Price on Cement Industry Listed In Indonesia Stock Exchange (Idx) In the Year of 2011-2015. *IOSR Journal of Business and Management*, *19*, 66–76. https://doi.org/10.9790/487X-1905036676

Kasmir, K. (2014). *Analisis Laporan Keuangan, Edisi 1, Cetakan VII*. Rajawali Persada.

Kencana, M. R. B. (2020). *Pendapatan Real Estate Development Lippo Karawaci Naik 33,9 Persen di Semester I*. https://www.liputan6.com/saham/read/4318963/pendapatan-real-estate-development-lippo-karawaci-naik-339-persen-di-semester-i

Machali, I. (2018). *Metode Penelitian Kuantitatif : Panduan Praktis Merencanakan,* *Melaksanakan Dan Analisis Dalam Penelitian Kuantitatif*. Prodi. Manajemen Pendidikan Islam UIN Sunan Kalijaga bekerjasama dengan Perkumpulan Program Studi Manajemen Pendidikan Islam (PPMPI).

Manurung, A. A. R., Siregar, H., & Gani, P. (2022). Pengaruh Perputaran Kas, Perputaran Piutang, Dan Perputaran persediaan Terhadap Profitabilitas Pada Perusahaan Properti Yang Terdaftar Di Bursa Efek Indonesia. *PURIBERSAMA: Jurnal Publikasi Riset Bersama Dosen Dan Mahasiswa*, *1*(4), 1–8.

Mardiyanto, H. (2009). *Intisari Manajemen Keuangan*. PT. Gramedia Widiasarana Indonesia.

Muchtar, E. H. (2021). *Corporate Governance: Konsep dan Implementasinya Pada Emiten Saham Syariah*. Penerbit Adab.

Mudjijah, S., Khalid, Z., & Astuti, D. A. S. (2019). Pengaruh Kinerja Keuangan dan Struktur Modal Terhadap Nilai Perusahaan yang Dimoderasi Variabel Ukuran Perusahaan. *Jurnal Akuntansi Dan Keuangan*, *8*(1), 41–56.

Munira, M., Merawati, E. E., & Astuti, S. B. (2018). Pengaruh ROE dan DER Terhadap Harga Saham Perusahaan Kertas di Bursa Efek Indonesia. *JABE (Journal of Applied Business and Economic)*, *4*(3), 191–205. https://doi.org/10.30998/jabe.v4i3.2478

Nasution, I. A. (2022). *Pengaruh Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turnover (TATO) Terhadap Return On Equity Ratio (ROE) Pada Perusahaan Properti dan Reak Estate yang Terdaftar Di Bursa Efek Indonesia (BEI) Periode 2017-2021*. Univ. Muhammadiyah Sumatera Utara.

Ningrum, W. S. M., Harianto, K., & Widuri, T. (2022). Analisis Rasio Keuangan Untuk Menilai Kinerja Keuangan Pada Perusahaan Semen Yang Terdaftar Di Bursa Efek Indonesia Tahun 2016–2020. *Jurnal Mahasiswa: Jurnal Ilmiah Penalaran Dan Penelitian Mahasiswa*, *4*(3), 99–117.

Noor, T. R., & Fadhaillah, M. (2022). Strategi Bertahan dan Bangkit Pada Masa Pandemi (Studi Pada Pelaku UMKM Desa Sarirogo-Sidoarjo). *Al Iman: Jurnal Keislaman Dan Kemasyarakatan*, *6*(2), 414–436.

Nurlatipah, W. S., Fadali Rahman, & Mohamad Toha. (2023). Analysis of Financial Ratios on The Performance of Muamalat Indonesia Bank. *Majapahit Journal of Islamic Finance and Management*, *2*(1), 54-77. Retrieved from https://syariah.jurnalikhac.ac.id/index.php/majapahit/article/view/13

Rapsanjani, F. R. A., & Hendayana, Y. (2023). Analisis Kinerja Keuangan Berdasarkan Rasio Keuangan Sebelum dan Selama Pandemi Covid-19 (Studi Kasus Perusahaan Sector Properti dan Real Estate Tahun 2018-2021). *Multilingual: Journal of Universal Studies*, *3*(2), 142–158. https://doi.org/10.26499/multilingual.v3i1.142

Sartono, A. R. (2010). *Manajemen Keuangan Teori dan Aplikasi, Ed.Keempat*. BPFE.

Setyaningsih, P. (2021). *Pasar Properti Residensial Di Tengah Pandemi Covid-19*. https://www.djkn.kemenkeu.go.id/kpknl-tarakan/baca-artikel/14441/Pasar-Properti-Residensial-Di-Tengah-Pandemi-Covid-19.html

Sunariyah, S. (2011). *Pengantar Pengetahuan Pasar Modal*. UPP STIM YKPN.

Yakubu, A., & Isbahi, M. (2022). A Conceptual Analysis: The Inclusion of Elder-Care Funding in Contemporary Waqf Revival in Nigeria. *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)*, *5*(2), 409-421. https://doi.org/10.31538/iijse.v5i2.2238

Yanto, E., Christy, I., & Cakranegara, P. A. (2021). The influences of return on asset, return on equity, net profit margin, debt equity ratio and current ratio toward stock price. *International Journal of Science, Technology & Management*, *2*(1), 300–312. https://doi.org/doi.org/10.46729/ijstm.v2i1.155

INFLUENCE OF RETURN ON EQUITY (ROE) AND DEBT EQUITY RATIO (DER) ON COMPANY VALUE AND SHARE PRICES

ORIGINALITY REPORT

16%	9%	8%	4%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	journal.stieamkop.ac.id Internet Source	3%
2	Sely Megawati Wahyudi. "The Effect of Corporate Social Responsibility, Investment Opportunity Set, Leverage, And Size of Companies on Corporate Value", European Journal of Business and Management Research, 2020 Publication	2%
3	Submitted to Universitas Negeri Semarang - iTh Student Paper	2%
4	paper.researchbib.com Internet Source	1%
5	Submitted to President University Student Paper	1%
6	kc.umn.ac.id Internet Source	1%

7	Kiki Wulandari, Irham Lihan. "Pengaruh Likuiditas, Aktivitas dan Profitabilitas terhadap Pertumbuhan Perusahaan pada Perusahaan LQ 45 Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2020", E-journal Field of Economics, Business and Entrepreneurship, 2022 Publication	1 %
8	Masrullah Masrullah, Syafaruddin Syafaruddin, Mutiah Mutiah. "Analysis of the Financial Performance of Regional Drinking Water Companies (PDAM) Before and During the COVID-19 Pandemic", The Accounting Journal of Binaniaga, 2023 Publication	1 %
9	Submitted to Harvard High School Student Paper	<1 %
10	Submitted to UIN Walisongo Student Paper	<1 %
11	cdn-cms.f-static.net Internet Source	<1 %
12	karyailmiah.unisba.ac.id Internet Source	<1 %
13	Submitted to Universitas Putera Indonesia YPTK Padang Student Paper	<1 %

14 Pereira, Rute Daniela Pires. "Spillovers of Monetary and Fiscal Policy on Financial Markets in Emu Countries", Instituto Politecnico do Porto (Portugal), 2023 <1%
Publication

15 Lindawati Lindawati, Helmi Yazid, Ewing Yuvisa Ibrani. "Disclosure of The Role of Intellectual Capital in Mediating Managerial Capability and Corporate Value", Journal of Applied Business, Taxation and Economics Research, 2023 <1%
Publication

16 Dian Ramli, Yusnaini Yusnaini. "Pengaruh Sales Growth, Debt To Equity Ratio, Total Assets Turnover Terhadap Return On Assets Pada Perusahaan Property Dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia 2018-2020", Owner, 2022 <1%
Publication

17 Yuli Soesetio. "Do Initial Public Offering Strategies Improve Firm's Performance? Evidence from Emerging Country", KnE Social Sciences, 2024 <1%
Publication

18 library.um.ac.id <1%
Internet Source

INFLUENCE OF RETURN ON EQUITY (ROE) AND DEBT EQUITY RATIO (DER) ON COMPANY VALUE AND SHARE PRICES

GRADEMARK REPORT

FINAL GRADE

/0

GENERAL COMMENTS

PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

PAGE 14

PAGE 15

PAGE 16

PAGE 17

PAGE 18

PAGE 19

PAGE 20