
The Influence of Return on Equity and Price Earnings Ratio on The Company Value of PT. Harum Energy Tbk (Period 2017-2021)

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ABSTRACT

This study aims to examine the impact of Return On Equity (ROE) and Price Earning Ratio (PER) on the valuation of PT. Harum Energy Tbk from 2017 to 2021. This study employs a quantitative methodology, focusing on the entire population of PT financial reports from Harum Energy Tbk. The sample was obtained through a time series approach by utilizing the company's quarterly financial data. Data collection is conducted by extracting information from the financial report paperwork that is publicly available on the official website of the Indonesia Stock Exchange (www.idx.co.id). The employed methodology is multiple regression analysis.

The research findings indicate that Return On Equity has a significant positive impact on Company Value, as evidenced by a t-value of 3.583 and a significance value of 0.002, which is lower than the threshold of 0.05. The Price Earning Ratio has a notable positive impact on Company Value, as evidenced by a t-count of 4.275 and a significance value of 0.001, which is lower than the threshold of 0.05. In addition, both Return On Equity and Price Earning Ratio directly and significantly impact 54.9% on Company Value.

This study offers a significant addition to comprehending the determinants that impact the value of a company, particularly at PT. Harum Energy Tbk. The findings of this study serve as a foundation for managerial and investor decision-making when assessing firm performance and investment opportunities. Key terms: Return On Equity, Price Earning Ratio, Company Value, PT. Harum Energy Tbk.

Keywords: Return On Equity, Price Earning Ratio, and Company Value

INTRODUCTION

Presently, the globe is grappling with a significant issue due to the occurrence of a disease outbreak caused by a virus known as the coronavirus, also referred to as COVID-19. This virus has been officially classified as a pandemic. Based on the data from covid19.go.id, by the end of March 2022, there were 446,551,318 confirmed cases of COVID-19, resulting in 6,004,421 fatalities throughout 228 affected nations. In addition to that, Covid-19 has exerted a detrimental influence on the Indonesian economy. Tempo. Co reports that this forecast is grounded on the substantiation provided by diverse global financial institutions. As an illustration, the International Monetary Fund (IMF) projects a 5.4% growth rate for the global economy, which will be succeeded by the World Bank's forecast of 4.2%. Concurrently, the OECD (Organization for Economic Cooperation and Development) forecasts that worldwide economic growth would vary between 2.8% and 5.2%.

The pandemic caused significant changes in nearly all parts of society, including the economic sector. As a result, the global economy weakened, increasing competition among corporations. Each company sets short-term objectives to achieve optimal earnings and long-term objectives to enhance its financial performance and optimize its worth. (Saputra, 2022; Bustani, Kurniaty & Widyanti, 2021)

A company's financial performance refers to the systematic assessment conducted by a corporation to measure the productivity and efficacy of its activities within a specific timeframe. The company's financial success directly impacts the potential increase in share price, as a higher share price corresponds to a higher company valuation. The company's valuation reflects the financial well-being of its stockholders. A high corporate valuation signifies a correspondingly high level of shareholder prosperity. The company's stock price manifests the valuation of firms that undergo an initial public offering in the capital market. (Rusdiyanto, Hidayat, Tjaraka, Septiarini, Fayanni, Utari & Imanawati, 2020; Rahmadi, 2020; Sausan, Korawijayanti & Ciptaningtias, 2020)

Share prices hold significant value and serve as a gauge of a business's success. When a company's share price increases, it presents a chance for the company to attract extra investment from investors, owing to its share price. The fluctuation of share value in the capital market directly correlates with a company's financial performance. (Kartikasari, Karyatun & Digdowiseiso, 2023; Setiawan & Rosa, 2023; Zuliyana, Karyatun & Digdowiseiso, 2023)

Financial reports offer accurate and pertinent information, making them valuable for assessing a company's financial success. The financial performance of a corporation has a direct influence on its value appreciation. A company's strong value proposition might attract investors anticipating lucrative investment returns. (Siregar, Rambe & Simatupang, 2021; Yanto, Christy & Cakranegara, 2021)

Company value refers to the monetary amount that potential purchasers are willing to offer if the company is sold. Firm value refers to the assessment of a firm's overall worth. An excellent company value indicates superior financial performance. If the company fails to demonstrate substantial value in its financial performance, it will decrease investor interest in making investments. The merits and demerits of a corporation can be discerned from its valuation. (Sirait, Sari & Rambe, 2021; Suharti & Tannia, 2020) An assessment agency or appraisal company determines the value of private companies. However, for companies preparing to go public, their value is inferred from various factors such as company assets and management expertise. For publicly traded corporations, the company's worth may be observed through the supply and demand dynamics on the stock exchange floor, which is reflected in the listing price.

According to the kontan.co.id page, PT. Harum Energy Tbk is trying to sustain its business despite the decline in coal prices. Ray Antonio Gunara attributes the decrease in sales to the impact of the average worldwide coal price, which had a 7.5% year-on-year fall, reaching US\$ 58.3 per ton. The decrease in coal prices can be attributed to the diminished demand from consumer nations impacted by the COVID-19 outbreak, leading to an economic deceleration. HRUM aims to produce between 3.5 million and 4.0 million tons of coal this year. During the initial semester of 2020, the issuer documented a coal production of 1.6 million tons. This number corresponds to the production accomplishments during the equivalent semester of the previous year.

Nevertheless, HRUM experienced a significant decline in coal sales volume, with a year-on-year decrease of 21.7%, dropping from 2.1 million tons in the first trimester of 2019 to 1.6 million tons in the first semester of 2020. In the first half of 2020, HRUM mostly sold its coal to China, accounting for 57% of its total sales. Thailand and South Korea followed with

15% and 14% respectively. In addition, HRUM had a 10.8% reduction in production costs in the first semester compared to the previous year. This condition was primarily due to a 14.1% decrease in the stripping ratio, which resulted in a ratio of 9.3 times, and a 29.3% decrease in the average fuel price, which amounted to US\$ 0.44 per liter. HRUM achieved an operating margin of 13.1% in the first semester of 2020, which is an improvement compared to the operating margin of 12.9% in the first semester of the previous year. Decreased production costs are a strategy to counterbalance the decrease in coal selling prices. HRUM will further enhance efficiency across the logistical chain and optimize stripping ratios and production volumes to reduce production costs. HRUM is projecting coal sales and production of approximately 3.5-4 million tonnes this year, considering the potential effects of coal circumstances.

The COVID-19 epidemic has affected the activities and operations of PT—Harum Energy Tbk, resulting in a decrease in the company's value. The company's valuation in this study is determined by employing the Price Book Value (PBV) metric. PBV is a financial metric employed to assess the efficiency of stock market prices about their book value. The PBV method benefits investors as it allows them to make informed decisions by considering the company's profitability derived from its operational activities. Consequently, the company's value is determined by the price investors are willing to pay. As the PBV increases, investors will have greater confidence in the company's future potential. The PBV ratio is determined by dividing the market price per share by the book value per share.

Various factors can influence the value of a firm, including its size, with one such aspect being the Return On Equity. The return on equity, also known as profitability of own capital, is a ratio that quantifies the net profit after tax about the amount of capital invested. This ratio indicates the effectiveness of utilizing one's capital. This ratio is crucial for shareholders as it helps assess the efficacy and efficiency of the company's management of its capital. A more excellent ratio indicates that the company's management is more effective in utilizing its money.

The Price Earning Ratio, which indicates the relationship between a company's share price and earnings, can impact the company's worth. The Price Earning Ratio (PER) is a metric investors use to evaluate the potential for future growth. It is determined by the share price investors are ready to pay for each unit of profit the company makes. The Price Earning Ratio is used to assess the relative value of a company's shares and determine the potential profitability they may yield. The Price Earning Ratio (P/E Ratio) directly affects the value of a company. A higher P/E Ratio leads to a higher share price, ultimately resulting in a greater overall worth of the company. Researchers aim to investigate how Return On Equity and Price Earning Ratio impact the Company Value of PT. Harum Energy Tbk throughout 2017-2021, given the context of the challenges that have arisen.

METHOD

This study employs descriptive and verification methodologies, adopting a quantitative approach. The descriptive approach is employed to present a precise, methodical, and objective depiction of present occurrences, entities, circumstances, ideologies, and collective state. Meanwhile, the verification method examines research hypotheses by analyzing statistical data and generating conclusions based on the investigated theory.

The study employs a descriptive methodology to elucidate issues about independent variables, specifically profitability (Return on equity) and price-earning ratio. A verification methodology is employed to examine the validity of the hypothesis concerning the impact of

Profitability and Price Earning Ratio on the firm value of PT. Harum Energy Tbk throughout 2017-2021.

The sampling methodology employed is a time series analysis utilizing quarterly financial report data from PT. Harum Energy Tbk throughout 2017-2021. Time series analysis is employed to comprehend the patterns of relationships between the desired variables and the time variable.

The data testing approach includes classical assumption tests, encompassing normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. The normality test is employed to verify the normal distribution of the data. The purpose of the multicollinearity test is to determine the presence of multicollinearity, which refers to an issue where independent variables are highly correlated. The heteroscedasticity test is employed to examine whether non-uniformity exists in the variance of the residuals. The autocorrelation test is employed to assess the presence of a correlation between residuals in the dataset.

This research aims to obtain a thorough understanding and trustworthy findings on the impact of Return On Equity and Price Earning Ratio on the firm value of PT. Harum Energy Tbk. This condition will be achieved by employing both descriptive and verification approaches.

RESULTS AND DISCUSSION

The research applied the multiple linear regression approach to statistical testing using several independent variables. The reliability of parameter estimations in this study's multiple linear regression model is contingent upon the model satisfying the conditions of normality, absence of multicollinearity, homoscedasticity, and absence of autocorrelation. In addition, statistical software such as SPSS was utilized to conduct data analysis, enabling precise and efficient data processing. The outcomes of the multiple linear regression are analyzed to examine research hypotheses and assess the impact of each variable on the dependent variable. The study also considers the influence of external factors that could affect the results, such as the sample size and the respondents' characteristics. This research endeavors to develop a solid and dependable methodological framework by meticulously outlining each step and assumption. In general, the meticulous, analytical technique is anticipated to substantially impact comprehension of the connections between variables inside the scope of this research.

Table 1. Multiple Regression Test Results

No.	Variable	Unstandardized Coefficients	t	Sig	Decision
	Constanta	-41.739	-1.052	0.307	
1.	ROE	9.893	3.583	0.002	Significant
2.	PER	0.067	4.275	0.001	Significant
R	0.741 ^a				
R Square	0.549	Error		0.451	

The findings of the multiple linear regression equation in this study are as follows:

$$Y = 9,893 X1 + 0,067 X2 + \epsilon$$

This research provides insights into the various aspects that impact PT's firm value (PBV). Harum Energy Tbk from 2017 to 2021. The regression analysis offers a thorough perspective, starting with a constant value of -41,739. This data is captivating as it implies that more elements, apart from Return On Equity (ROE) and Price Earning Ratio (PER), substantially impact the establishment of the organization's value. Assuming all independent variables are

held at zero or remain constant, the firm's value would decrease by 41,739. Hence, this signal necessitates an investigation of supplementary aspects that could influence the company's performance.

Progressing, the regression coefficient of Return on Equity (ROE) at 9,893 provides additional understanding. Under the condition that all other factors remain unchanged, a 1% rise in return on equity (ROE) is linked to a substantial 9,893% increase in the firm's value. This discovery highlights that Return on Equity (ROE) plays a crucial role in increasing the company's value. Hence, the company's management might devise strategies to enhance the Return on Equity (ROE) to increase the organization's overall worth.

Conversely, the regression coefficient of PER, albeit relatively tiny at 0.067, nonetheless has a favorable impact on company value. To clarify, a 1-unit increase in PER corresponds to a 0.067% increase in the firm's value. While not as prominent as ROE, this outcome implies that PER determines a company's worth. Therefore, implementing regulations that can improve the firm's performance evaluation and review (PER) is an extra approach to augment the firm's value.

Nevertheless, it is essential to remember that the combination of ROE and PER can only account for about 54.9% of the differences in firm value, as evidenced by the coefficient of determination (R^2) of 54.9%. The remaining 45.1%, approximately, is influenced by additional factors that were not analyzed in this study. Hence, these findings serve as a clear indication to academics and business professionals to expand the range of their examination and consider additional variables that could impact the worth of a company.

In summary, these findings establish a basis for PT. Harum Energy Tbk and other stakeholders to make well-informed and timely strategic decisions. This information can aid the organization in identifying possible areas for performance enhancement, whether by improving Return on Equity (ROE) or Price-to-Earnings Ratio (PER). Moreover, these discoveries also substantially impact economic and financial literature, enriching our comprehension of the correlation between financial variables and company worth. Our comprehension of the determinants impacting business worth will continue to advance through persistent research development and incorporating recommendations for future investigations. Consistently exploring and implementing these findings can contribute to the continuous growth of company strategies and financial decision-making processes. As organizations adapt to the ever-changing economic environment, having a detailed awareness of the various factors that influence a company's worth is crucial for maintaining and improving organizational achievements.

CONCLUSION AND RECOMMENDATION

An extensive analysis was conducted on PT. Harum Energy Tbk from 2007 to 2021 reveals a substantial correlation between Return On Equity (ROE) and Price Earning Ratio (PER) as well as Company Value (PBV). The F-count result of 10.343 at a significance level of 0.001 supports these findings. Increasing the return on equity (ROE) and price-to-earnings ratio (PER) can be recognized as a crucial element in enhancing the value of a firm. Nevertheless, this study offers several recommendations for additional advancement to enhance comprehension.

To enhance research, one should broaden its scope by incorporating supplementary variables, such as market dynamics or industry rules, which can impact a company's success. Additionally, a more thorough examination of the elements that contribute to fluctuations in Return on Equity (ROE) and Price-Earnings Ratio (PER) is suggested, offering a comprehensive understanding of the organization's internal workings. The subsequent stage

in the process is to construct predictive models to anticipate probable future alterations. By incorporating qualitative elements, such as conducting interviews with management, a more comprehensive and contextual understanding of the quantitative findings can be obtained. By enhancing the technique and implementing a comprehensive approach, this research can not only enhance comprehension of PT. Harum Energy Tbk also provides significant contributions to economic and financial literature.

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