

THE EFFECT OF ROE AND AGE OF THE COMPANY ON VALUE OF THE COMPANIES

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Abstract: The company's obligation not only lies in how the company maintains its profits, but the company must also be able to maintain its corporate value. The value of the company is able to be reflected in the price of its shares. There are many factors that can affect the value of a company, both financial and non-financial factors. Financial factors include company performance, while non-financial factors include the company's age. This study aims to determine what factors can affect the value of the company, both financial and non-financial factors. The statistical analysis method used is panel data regression. Panel data regression analysis is a combination of cross section (cross section) with time series data. The advantages of panel data regression analysis include providing more informative, more varied data, reducing colinearity between variables, more degrees of freedom, and greater efficiency. This research was conducted at a tourism company listed on the Indonesia Stock Exchange with a 2013-2017 study year. The sampling technique uses stratified random sampling, which is to take proportionally random samples.

Keywords: ROE, Company Value, Financial Performance.

INTRODUCTION

The good company not only has a profit that continues to grow, but also the company must be able to create good corporate value. The main goal of companies that have gone public is to increase the prosperity of owners or shareholders through increasing the value of the company (Salvatore, 2005). The value of the company becomes a perspective for investors to measure the extent to which the company has good prospects in the future. The company's value is reflected through the market price of the company's shares (Rika, Nurlala, & Islahudin, 2008). The company's goals can be realized if the company has good financial performance. Signaling theory states that an increase in profits will give a

positive signal to investors that the company is profitable and is expected to provide welfare to shareholders through high stock returns. For the efficient use of company funds, it can be realized through the level of returns, measuring the achievement of management, and dividends distributed. The results of research conducted by Mardiyati, et al (2012) and (Sumanti & Mangantar, 2015) show that profitability has a positive effect on firm value, but in contrast to research conducted by Warouw, et al (2016) which states that profitability has no effect to the value of the company.

Companies to support their business continuity need funding. Corporate funding decisions affect the company's capital structure. In a

managerial perspective, the core of the funding function is how the company determines the optimal source of funds to fund various investment alternatives, so as to maximize the value of the company which is reflected in its share price (Sofyaningsih: 2011). Tourism is a potential sector that must be developed and maintained to encourage the development of a country or a tourist area and one of the development sectors that is currently being promoted by the government. The growth of Indonesia's tourism sector that is sustainable (sustainable) with a large size in recent years has reached 25.68%. According to the World Travel Tourism Council (WTTC), Indonesia's achievement is the 9th fastest in the world, number 3 in Asia, and number 1 in Southeast Asia. This makes foreign and domestic investors interested in investing in the tourism sector in Indonesia. Minister of Tourism (Menpar) Arief Yahya said tourism became one of the sectors in Indonesia with the fastest investment growth rate. In 2017 tourism investment grew 32% from the previous year.

In accordance with the background that has been explained then the problem formulation was built as follows:

1. Does financial performance have a positive effect on company value.
 2. Does the age of the company have a positive effect on company value.
- In accordance with the explanation in the formulation of the problem discussed above, the purpose of this study is to obtain empirical evidence about the effect of financial performance on firm value, and the influence of company age on firm value. This research is expected to be useful as follows:

1. As an initial indicator to measure the volatility of firm value

2. The results of this study are expected to provide information to investors in considering investment options, especially in tourism sector investment stocks.

METHODS

The objects in this study are companies in the tourism sector which were listed on the Indonesia Stock Exchange from 2013 to 2017. The methodology used in this study is a quantitative method by examining the relationship between financial performance and age of the company on firm value. The statistical test used is panel data regression analysis. Panel data is a combination of cross section (cross section) with time series data (Gujarati, 2012). The population in this study are tourism sector companies listed on the Indonesia Stock Exchange. The sampling technique uses stratified random sampling, which is to take proportional random samples from each group in each Islamic tertiary institution. Determination of the number of samples using the formula Slovin. The sample frame is taken based on the Slovin formula in (Suliyanto, 2009) with a margin of error (e) of 5%.

RESULT AND DISCUSSION

This study explains the results of secondary data that are processed and analyzed descriptively and panel data regression. In this study the dependent variable used is the Stock Price (HS), while the independent variable is ROE ,, Company Age (AGE). The sample used in this study consisted of 19 companies during the period 2013 to 2017. This research technique used panel data regression analysis using EViews software 9. In this panel data analysis technique there are methods that can be used, namely the common effect model,

fixed effect model and random effect model.

The Simultaneous Effect of ROE and Company Age on Share Prices

Simultaneous test is carried out to test whether the independent variables simultaneously or together have a significant influence on the dependent variable. With the provisions of decision making, if the value of prob. (F statistic)

<0.05 (significance level of 5%), then H0 is rejected, which means that the independent variable has a significant influence on the dependent variable together. However, if prob. (F statistic) > 0.05 (significance level of 5%), then H0 is accepted, which means that the independent variable does not affect the dependent variable together. Following are the results of the simultaneous test.

Table 1
Simultaneous Effect's Results

Weighted Statistics			
R-squared	0.121882	Mean dependent var	6.307946
Adjusted R-squared	0.102793	S.D. dependent var	1.150227
S.E. of regression	1.089507	Akaike info criterion	3.040398
Sum squared resid	109.2064	Schwarz criterion	3.121047
Log likelihood	-141.4189	Hannan-Quinn criter.	3.072986
F-statistic	6.384761	Durbin-Watson stat	0.181214
Prob(F-statistic)	0.002532		

Source: Result output Eviews 10, 2019

Based on the table above, it was found that the value of prob. (F-statistic) of 0.002532 <0.05; then H0 is rejected, which means ROE and Age of the Company have a significant effect on Stock Prices.

Partial Effect of ROE and Company Age on Stock Prices.

Partial test is carried out to determine the value of the regression coefficient individually on the dependent variable whether significant or not.

Provisions for partial test decision making that is if the value of prob. (p-value) <0.05 (significance level of 5%), then H0 is rejected, which means the independent variable has a significant effect on the dependent variable partially. But if the value of prob. (p-value) > 0.05 (significance level of 5%), then H0 is accepted, which means that the independent variable has no significant effect on the dependent variable partially. Here are the partial test results:

Table 2
Partial Effect's Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.841786	0.756129	5.080863	0.0000
ROE?	0.000188	0.000171	1.095333	0.2762
AGE?	0.735355	0.224585	3.274286	0.0015

Based on the table above, it was found that :

ROE Variable

Because the value of prob. (p-value)> 0.05 (significance level of 5%) or 0.2762> 0.05, then H0 is accepted and the conclusion is that ROE has no significant effect on stock prices.

Company Age Variable

Prob value (p-value) <0.05 or 0.0015 <0.1 which shows H0 is rejected and the conclusion is that the age of the company has a significant effect on stock prices.

CONCLUSIONS

From the results of calculations and analysis that have been done in the previous chapter, it can be concluded: ROE has no significant effect on stock prices; The age of the company has a significant effect on stock prices; ROE and Age of the Company have a significant effect on Share Prices, where ROE and Age of the Company are able to explain the dependent variable, namely the Share Price of 12.18% while the remaining 87.82% is explained by other variables outside the study.

From the perspective of investors who are interested in investing in companies in the pariwisata sector, they should be more careful in analyzing the financial statements of companies listed on the Indonesia Stock Exchange. For further researchers it is recommended to add other variables that can affect the value of the company.

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