EFECT OF ROA TOWARDS PRICE EARNING RATIO: A STUDY ON COSMETIC AN HOUSEHOLD NEEDS SUBSECTOR COMPANIES

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ABSTRAK. *Penelitian ini memiliki tujuan mengetahui pengaruh profitabilitas terhadap nilai perusahaan pada perusahaan Sub sektor Kosmetik dan Keperluan Rumah Tangga yang terdaftar di Bursa Efek Indonesia. Jumlah sampel yang digunakan sebanyak 4 perusahaan. Lokasi dalam pene1itian ini adalah BEI. Jenis data dalam penelitian ini merupakan data kuantitatif. Data diperoleh melalui sumber sekunder, yaitu publikasi laporan keuangan emiten di BEI tahun 2007 sampai 2018 melalui website resmi www.idx.co.id. Teknik analisis yang dipakai adalah analisis statistik deskriptif, koefisien korelasi, koefisien determinasi, analisis regresi dan uji signifikansi t. Hasil analisis menunjukkan bahwa profitabilitas tidak berpengaruh terhadap nilai perusahaan. Yang artinya bahwa Ho diterima dan Ha ditolak. Berdasarkan hasil pengujian diperoleh hasil statistik deskriptif ROA adalah 0,135196 atau 13,51%, statistik deskriptif PER adalah 16,394318, koefisien korelasi r =0,436, koefisien determinasi Kd =3,61%, analisis regresi 51,715 dan uji-t 0,002 < 0,05*

Kata Kunci*: harga saham, price earnings ratio, return on asset, profitabilitas, dan nilai perusahaan*

INTRODUCTION

The development of stock prices is one important information and become the hope of investors and the market for the company's future.

According to Tandelilin, (2010: 363), company analysis can provide investors with an overview of the value of the company, the company's internal characteristics, company quality, management performance and prospects for the company in the future. How to choose a company using financial statement data is to compare between several companies in the same industry. Investors can compare sales, net profit or growth among companies by using a ratio.

The value of a company is reflected in a stable share price, which in the long run experiences an increase, the higher the stock price, the higher the value of the company (Harmono 2015: 50). According to Weston and Copelan (2008: 244), there are several approaches to the analysis of corporate value ratios, one of which is used

in this study is the profit approach called Price Earnings Ratio (PER). The PER approach is the most popular and widely used approach because it is easier to use it.

Price Earnings Ratio (PER) compares the share price with its earnings profit (Jogiyanto, 2014: 204). The value of Price Earnings Ratio will go up or down because the stock price and its earnings profit will change. If the market price of a stock goes up but 1 per share of the stock is constant, the company's PER will go up, so does the reverse (Aji, 2012). A large EPS indicates that the company can provide a level of prosperity to shareholders. Good or bad EPS can be known by calculating Price Earnings Ratio (PER). According to Filbert and Prasetya (2017) the higher EPS will reduce the value of PER and the stock price is predicted to rise.

Companies that have growth prospects generally have a high PER and vice versa in high-risk companies (Brigham and Houston, 2006: 110). If the PER of a company has a stable and high tendency to develop, then this also illustrates the company's stock price has a high growth rate as well. Like previous research conducted by Ayudya et al. (2017), Ademola et al. (2016) and Arif & Wagar (2016) that Earning per share (EPS) has a positive and significant effect on stock prices while according to Anita and Pavitra (2014), Earning per Share (EPS) does not have a significant effect on stock prices.

An interesting phenomenon is also shown by the movement of ROA of companies in the Cosmetics and Household Utilities Sub-sector which indicates that in 2019 that with the declining share price of PT Mustika Ratu Tbk (MRAT), it has an impact on the value of the company. ROA performance experienced fluctuations and was followed by changes in the value of company.

According to Sunariyah (2006), "If a company is deemed to lack prospects, the share price will be low" (p. 21). With the case found in PT Mustika Ratu Tbk (MRAT) Reported from the Daily Balance Sheet, Thursday (4/25/2019), the company's net sales were recorded at Rp300.57 billion, down 12.80% from net sales in 2017 amounting to Rp344.68 billion. Sales expenses also dropped 13% to Rp126.24 billion in 2018. Thus, the company's gross profit recorded at Rp174.34 billion in 2018 or decreased 12.64% on an annual basis.

Profitability can be measured by return on assets (ROA). ROA shows the company's ability to use all assets owned to generate profits. In other words, ROA is a measure of the company's effectiveness in generating profits by utilizing its assets (Kasmir, 2016: 201). Increased value of ROA shows the better performance of the company and reflects that companies use their assets more efficiently in generating profits (Brigham and Houston, 2011) Increased ROA can increase the value of the company which will have an impact on increasing share prices and rising PER.

In investing in the capital market, many sectors can be chosen by investors to invest their capital. One promising sector that has good prospects is the manufacturing sector, especially in cosmetics companies and household appliances. Based on Government Regulation No. 14 of 2015 concerning the National Industrial Development Master Plan (RIPIN) for 2015-2035, the cosmetics industry is one of the mainstay industries, priority industries that play a major role in the economy.

Many previous studies have been conducted to observe how Return on Assets generate corporate price earnings ratio which can be explained based on the influence of the value company. Some researchers show interesting results due to the diversity of their findings. According to Ayu and Suarjaya (2017: 1134) in their research through the journal argued that profitability (ROA) has a relationship to the value of the company to generate profits. Tenaya, Chandranithi. and Diantini, (2016), Garmayuni (2015), and Dwi, M. et al. (2014), found that Return on Assets (ROA) had a significant positive effect on firm value. Whereas in Tamrin's research, Mus & Arfah (2017) shows that profitability has a significant negative effect on firm value. Herawati (2012) found that the ROA variable had a negative and not significant effect on the value of the company which means that the higher the value of ROA would not affect the rise or fall in the value of the company.

The increase in ROA illustrates the company's improved performance and illustrates that companies are using their assets more efficiently to get profit (Brigham and Houston, 2011). Rising ROA can increase stock market prices and PER. Research done by Septadi and Wahyu Hidayat (2013) and Tenaya, et.al (2016) concluded that ROA had a significant positive effect on PER. Similar results obtained by Hayati, N (2010), Sukamdani (2011) and Adam, E. (2015) concluded that ROA had a negative and significant effect on PER.

Statement of the Problem

Based on the background of the problem outlined above, the authors identify the problem as follows:

1. What is the level of profitability in cosmetics and household appliances sub-sector manufacturing companies and registered components on the Indonesia Stock Exchange in 2007-2018?
2. What is the level of company value in sub manufacturing companies cosmetics and household appliances sector are listed on the IDX last year 2007-2018?

3. What is the effect of profitability on firm value in the cosmetics and household appliances manufacturing sector registered on the Indonesia Stock Exchange in 2007-2018?

THEORETICAL BASIS

1. Profitability

Kasmir (2016: 196) states that profitability is a ratio to assess the ability of companies to look for profit and also describes the level of effectiveness of company management in running their business.

The profitability of a company is measured by the company's success and the ability to use its assets productively, thus the profitability of a company can be known by comparing the profits earned in a period with the total assets or the amount of capital the company. Brigham et al (2009) in (Manoppo & Arie, 2016) defines profitability as the end result of a number of company management policies and decisions

2. Return on Assets

ROA is one of the profitability ratios that can measure a company's ability to generate profits from the assets used. Kasmir (2014: 201). The higher this ratio, the better the productivity of assets in obtaining net profits. This will further increase the attractiveness of the company to investors.

Increasing the attractiveness of the company makes the company more attractive to investors, because the rate of return or dividends will be even greater. This will also have an impact on the company's stock price. Rising ROA can increase the value of the company which will impact on increasing share prices and rising PER.

The higher ROA value shows that a company is more efficient in utilizing its assets to make a profit, so the company's value increases (Brigham, 2005) The ROA figure can be said to be good if> 2%.

3. Company Value

Every company has a normative goal to maximize the value of the company, namely maximizing the value of the wealth of its shareholders (Astutik, 2017: 1).

The high value of the company will affect the level of prosperity of shareholders who can give a positive signal about the company's growth in the future, so as to increase the value of the company (Prastuti and Sudiartha, 2016). Company value is commonly indicated by price earnings ratio (PER), which is the level of

market or investor confidence in the company's future prospects (Soliha & Taswan, 2002).

4. Price Earnings Ratio (PER)

Price earnings ratio (PER) serves to measure changes in profitability that is expected in the future. The greater the PER, the greater the possibility of the company to grow so as to increase the value of the company. According to Darmadji and Fakhruddin (2011: 156), PER illustrates the market's appreciation of the company's ability to generate profits. How to calculate it with the formula:

$$\textit{Price Earning Ratio} = \frac{\text{harga saham}}{\text{EPS}}$$

This ratio is obtained from the common stock market price divided by earnings per share (Earning Per Share) so that the higher this ratio will indicate that the company's performance is also getting better. The intended stock price is the closing price of a certain date. According to Tandelilin (2017: 341), PER is often used to classify stocks based on their level of growth. Stocks with high growth rates generally have a high PER as well. Increased ROA can increase the value of the company which will impact on increasing stock prices and rising PER.

RESEARCH METHODS

This research uses descriptive verification research method. The data used are secondary data obtained from annual Financial Statement data published by the IDX from 2007-2018.

The population in this study were all cosmetics and household utilities companies listed on the Indonesia Stock Exchange which were 6 companies. Sampling in this study uses a purposive sampling method with the criteria (1) Companies in the cosmetics subsector that are listed on the Indonesia Stock Exchange in the period 2007 to 2018. (2) The company has complete financial statement data from 2007 to 2018 (3) Companies the cosmetics sub-sector which has published a complete and consecutive annual financial report on the Indonesia Stock Exchange in the period 2007-2018.

After purposive sampling, a sample of 4 companies was obtained for 12 years to obtain 48 research data. The data analysis technique used in this study is the analysis of multiple linear regression analysis. The technique is used for the purpose of knowing the direction and magnitude of the effect of Return on Assets on Price

Earnings Ratio. So that the data can be processed efficiently, SPSS is used, and the type of data in this study is quantitative data.

The data source in this study is secondary data taken from the annual financial statements in the cosmetics sector companies and household needs for the period 2007-2018 through the Indonesia Stock Exchange (IDX).

Tabel 1. Opersionalisasi Variabel

Variable	Variable Definition	Indicator	Scale
Profitability (X)	*Return On Asset* (ROA) Used to measure the ability of the company in generating profits from normal activities usually. Management demanded to increase returns for the company owner.	$\text{ROA} = \dfrac{Net\ Income}{Total\ Asset}$ (Hery, 2015)	Rasio
Value Company (Y)	The value of a company can be measured by the stock price that investors are willing to pay. Management impactful company positive if the decision is made managed to increase the value of that company seen from an increase in the company's stock price.	$Price\ Earning\ Ratio\ (PER) = \dfrac{Market\ price\ per\ share}{Earning\ per\ share}$ (Darmadji dan Fakhruddin (2011:156)	Rasio

RESULTS AND DISCUSSION

ROA is a very important ratio for company owners because this ratio shows the rate of return generated by management of the company's assets, Kasmir (2012: 2011). ROA is an indicator of the ability of a business unit to obtain a return on a number of

assets owned by the business unit. Figure graphs the development of company ROA as a research sample.

**Figure 1 Graph of ROA of Cosmetics and Household Utilities Sector Companies 2007-2018**
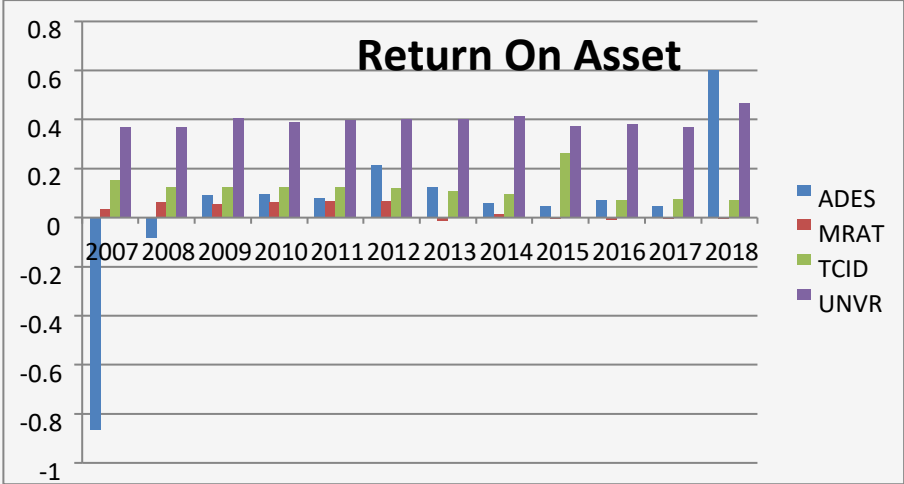
Based on the graph above, it can be seen that the average ROA development in companies listed on the IDX shows a pretty good value, however there are still some companies that show poor ROA development. The average Return on Assets of the cosmetics sector from 2007-2018 was 0.135196. This means that the average Return on Assets each year from 2007-2018 for cosmetics companies rose 13.51%.

UNVR is the best company in terms of ROA measurement. The performance of the UNVR company is the best in using all of its total assets to achieve revenue.

The implications of increasing ROA means that the resources owned (total assets), the company is able to maximize it into net profit. By having assets owned by the company, the company is able to utilize its assets well, so that it can generate profits for the company. Moreover, if the company whose assets are down or stagnant, as shown in the graph but net income continues to rise, this could indicate that with a little asset, the company is still able to maximize its performance, so that it can generate large net income. Then found constant values obtained 9,403, regression coefficient values obtained 51,715 with Sig. 0.002. Thus, the regression equation can be written as follows:

PER = 9,403 + 51,715 ROA

Figure 2 PER Graph in Cosmetics and Household Needs Subsector Companies listed on the Indonesia Stock Exchange in 2007-2018.
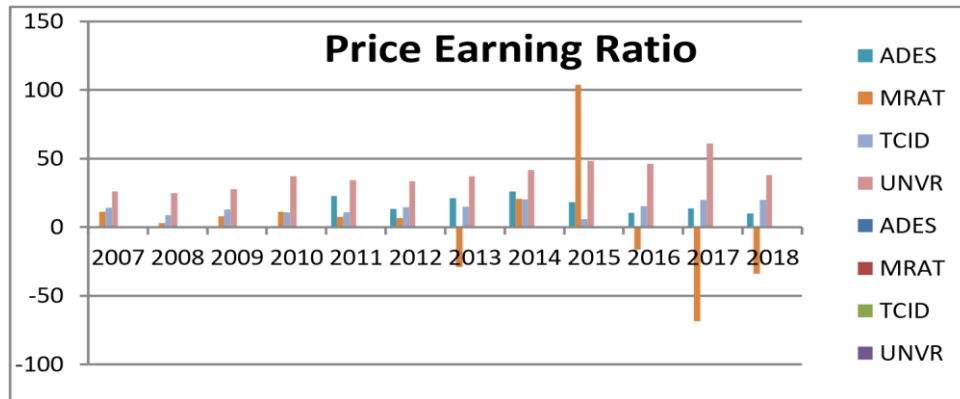
The equation can be interpreted if the company's value variable value is 51.715 then profitability is 9.403. If the variable return on assets (profitability) has no value or amounts to 0% then the value of the company has a value of 51,715. Figures generated from these tests can be concluded that return on assets (profitability) affects the value of the company, which means the higher the value of ROA, the higher the value of the company.

T test

The results of this study say that there is no influence between profitability on firm value. The results obtained 0.002 <0.05 then this shows that the results of the study had no significant effect. This research is supported by previous research by Mawar et al (2015) showing in his research that profitability (ROA) has no significant effect on firm value.

Correlation coefficient

There is a positive relationship between profitability and firm value, seen from r = 0.436. These results indicate that there is a moderate relationship between profitability and firm value

CONCLUSIONS AND SUGGESTIONS

Conclusion

Price Earning Ratio (PER) compares the share price with its earnings profit (Jogiyanto, 2014: 204). The value of Price Earning Ratio will go up or down due to the change in the price of the stock and its earnings. If the market price of a stock goes up but the earnings per share are constant, the PER of the company will go up, so will the opposite (Aji, 2012). Companies that have growth prospects generally have a high PER and vice versa in high-risk companies (Brigham and Houston, 2006: 110).

Price Earning Ratio in the cosmetics sector from 2007-2018 has a Mean is 16.394318 or 16.39%. The highest price earning ratio value in the 2015 UNVR company was 60.8932 or 6089% and the lowest was in the 2007 ADES company with -0.0047.

The effect of Return on Assets on Price Earning Ratio in cosmetics subsector companies based on the Determination Coefficient Test of 0.436 and if presented at 44%, can be interpreted both in proxying or reflecting good stocks and good company value. Meanwhile the significance test results obtained value of 0.173> 0.05 which means that H_0 is accepted. Thus Ha rejected return on assets does not significantly influence the price earnings ratio.

Based on the discussion above by using a regression analysis tool in the Cosmetic and Household Appliances sectors listed on the Indonesia Stock Exchange in 2007 to 2018, a constant value of 9,403 is obtained, a regression coefficient value of 51,715 with a Sig. 0.002. Thus, the regression equation can be written as follows:

$$PER = 9,403 + 51,715 \text{ ROA}$$

The equation can be interpreted if the company's value variable value is 51.715 then profitability is 9.403. It means if the variable return on assets (profitability) has no value or amounts to 0% then the value of the company has a value of 51,715. Figures generated from these tests can be concluded that return on assets (profitability) affects the value of the company, which means the higher the value of ROA, the higher the value of the company.

Based on the conclusions above, the advice given is that if investors want to invest in shares using PER, they should use the factors that influence it. For future researchers, it is better to use a longer period in order to get better results, not limited to shares in the Cosmetics and Home Appliances sector, but also to use all companies listed on the IDX and should add fundamental variables such as financial ratios and external factors that can be used to predict PER.

Suggestion

1. It is expected to pay attention to the PER ratio as a basis for investment decision making because the results of the study show that each return on asset variable (profitability) has no value or amounts to 0%, then the value of the company has a value of 51.715. So it can be concluded that return on assets (profitability) affects the value of the company, which means the higher the value of ROA, the higher the value of the company.

2. It is expected that the company can optimize the use of assets in order to continue to produce good performance so that it will affect the volume of shares, stock prices and PER.

3. It is expected that the company can provide information about the condition of the value of the shares so that investors can know the intrinsic value of the company's shares so that investors can better consider the decision

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