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THE INFLUENCE OF ROE, EQUITY, AND DER ON COMPANY VALUE IN START UP COMPANIES PERIOD 2019-2021

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ABSTRACT

As an era advances, the role of humans is increasingly being replaced by technology. Start-up companies are clear evidence that technology has become increasingly advanced in this world. The aim of this research was to test how much influence roe, equity and der have on company value in start-up companies registered on Yahoo Finance for the 2019-2021 period. This type of research uses a quantitative approach. Yahoo finance is a source of obtaining data used in research with data analysis using eviews 12. The amount of data used is 17 start-up companies on Yahoo Finance. Company value is important information for investors when investing in a company. Company profits are influenced by many factors that can increase which become benchmarks for investors

Keywords: ROE, Equity, DER, Company Value

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INTRODUCTION

Human dependence on technology in this era is one of the factors influencing the development of startup companies in the world. Its development makes start-up companies compete in producing quality companies, and have a strong influence on society, as well as start-up companies that are able to create new job opportunities. The development of a company can be seen from the market value of the company. The higher the share price in the company, the higher the level of prosperity for shareholders. However, there is often the possibility of a decline in company value caused by several factors. This phenomenon occurred in the sample of companies that the researchers used, where there was an increase and decrease in company value in the last period as depicted in graph 1.
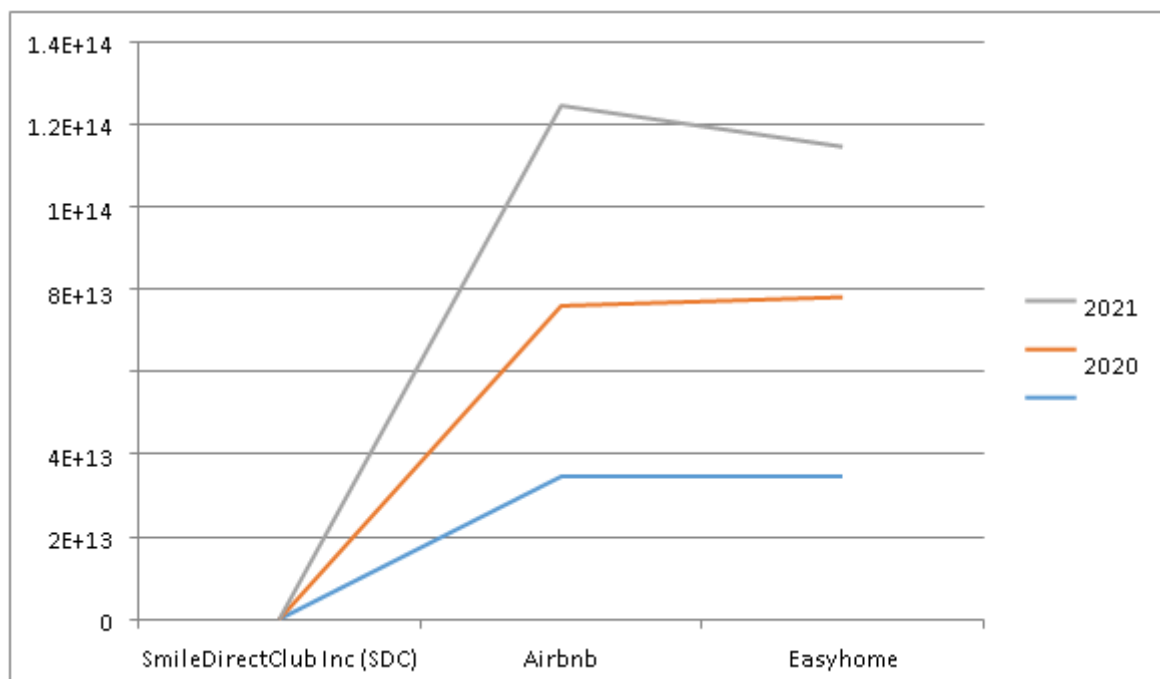

Figure 1. Company Value Graph
Source: Yahoofinancial.com, 2023

The graph above illustrates that the value of the SmileDirectClubInc (SDC) company experienced a decline in the 2019-2021 period, but in contrast, the Airbnb company experienced an increase in company value for the 2019-2021 period. Meanwhile, the Easyhome company experienced an increase and decrease in company value in the 2019-2021 period. Based on the graphic analysis above, the three start-up

companies show an increase and decrease in company value from the company value report. Therefore, researchers are interested in conducting research on factors that influence company value.

The formulation of the problem in this research is 1. How does ROE influence the company's market value for the 2019-2021 period, 2. How does equity influence the company's value for the 2019-2021 period?, 3. How does DER influence the company's value for the 2019-2021 period?, 4. How do ROE, Equity and DER influence company value for the 2019-2021 period?

LITERATURE REVIEW

Return On Equity (ROE)

Fahmi (2014) "Return on Equity (ROE) ratio is also called return on equity. In some references it is also called the total asset turnover ratio or total asset turnover. This ratio examines the extent to which a company uses its resources to be able to provide a return on equity."

Sartono (2017) explains that profitability is the ability of a company to earn profits in relation to sales, total assets and own capital. Indicators that can be used to measure company profitability are the Return On Equity (ROE) ratio. Where the Return On Equity (ROE) formula is as follows:

$$Return\ On\ Equity(ROE) = \frac{Laba\ Bersih\ Setelah\ Pajak}{Ekuitas}$$

Equity

Equity is the residual right to company assets after deducting all liabilities. Equity valuation is an important objective for many users of financial statements. Estimated value that can be used to make buy/sell/hold decisions related to securities, calculating company value for credit decisions, estimating value for business combinations, determining the price of offering company shares to the public, and various other useful applications

Debt to Equity Ratio (DER)

Debt to Equity Ratio (DER) is one of the ratios used to assess the use of debt and equity owned by a company. Kasmir, (2015:157) This DER can be calculated by comparing all debt (current debt and long-term debt) with all equity. Debt to Equity Ratio is a debt ratio used with the aim of measuring the amount of debt used against the company's own capital(Gulo & Januardin, 2021). Munawir, (2011:158) states that the Debt to Equity Ratio (DER) for each company is definitely different, this depends on the characteristics of the business and the diversity of its cash flows.

Mathematically the debt to equity ratio can be calculated using the following formula:

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Liabilities}{Total\ Equity}$$

The value of the company

Company value is the price that prospective buyers (investors) are willing to pay if the company is sold (Husnan 2000:7). Company value can be calculated with Tobin's Q analysis. Tobin's Q analysis is also known as the Tobin's Q ratio. This ratio is a valuable concept because it shows the current financial market estimate of the return value of each dollar of investment in the future.

$$Tobin's\ Q = \frac{Nilai\ Pasar\ Ekuitas + Nilai\ pasar\ hutang}{Nilai\ Aktiva\ Perusahaan}$$

conceptual framework

So that the relationship between independent and dependent variables is structured in this research, the researcher explains it through the conceptual framework below:
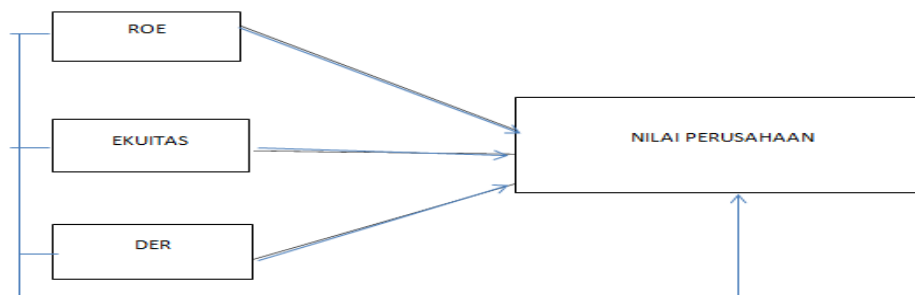
Figure 2. Conceptual Framework
Source: processed data, 2023

METHOD

The startup company research period used is 2019-2021. The research period starts from June 2023 to December 2023. Yahoofinancial.Com is the source used in this research. This research uses quantitative research. According to Sugiyono (2016) Quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to research certain populations or samples. This research is composed of numbers and uses statistical analysis, Sugiyono (2017). According to Sugiyono (2012), descriptive statistics are statistics that are used to analyze data by describing or illustrating the data that has been collected as it is without the intention of making general conclusions or generalizations.

The population taken in this research is start-up companies that have been ranked and recognized by the world market in the yahoofinance.Com source since 2019-2021, with a total population of 17 (seventeen) start-up companies.

Quota Sampling is the sampling method used, this technique consists of selecting samples with certain characteristics. The criteria are:

Table 1. Sample Determination Criteria

No	Information	Amount
1.	Companies (Start Ups) that received rankings in 2019-2021	17
2.	Companies (Start Ups) that experienced a decline in 2019-2021	
3.	Companies (Start Ups) that getranking and downgrading in years2019-2021	7
	Number of samples	**17**
	Number of periods	**3**
	Number of Observations = 17 x 3	**51**

Source: Processed data, 2023

Utilizing documentation studies by combining data from start-up company financial reports accessed from the Yahoofinance.Com website is the technique applied in this research. The use of secondary data originating from company records and from other sources such as literature study data (Suyonto (2013:21) is the type of data used in this research. Researchers manage existing data and the data is obtained from Yahoofinance.Com in the form of financial reports has been confirmed by calculation.

Data analysis technique

Panel data is used in this research, with panel data processing procedures using Eviews 13. Panel data, also known as panel data regression models, is a combination of cross-sectional data and company sequence data. The use of panel data provides several benefits, namely:

1. Using unbalanced panel and cross-sectional data, and panel data provide more data and a higher degree of freedom.

2. Panel data combines information from available and cross-sectional data, which helps in resolving problems caused by missing variables.

3. When compared with cross-sectional data, panel data can provide logical conclusions about dynamic changes by considering several factors that are known to be accepted.

RESULTS AND DISCUSSION

This research uses data obtained from yahoo.finance in the form of start-up company financial report data for the 2019-2021 period and the research uses descriptive statistical methods which describe the minimum, maximum and average values of each variable using Microsoft Excel. The following descriptive statistical results can be seen from the table below:

Table 2. Descriptive Statistical Analysis

	Mean	Min	Max
ROE	-0.27	-3	0.4
EQUITY	629908092.3	33.23	24,560,736,351
DER	0.773913043	0	23.9
Tobins`Q	1,861,910,774,728	-35,352,128,758	20,268,641,250

Source: Data processed with Eviews, 2023

Based on the amount of data in table 2, the descriptive statistical results can be explained as follows:

1. Variable X1 ROE has an average value of -0.27. The minimum value is -3 for the start-up company SmileDirectClub Inc (SDC) in 2021 and the maximum value is 0.4 for the start-up company Palantir Technologies in 2019.

2. Variable X2 EQUITY has an average value of 629908092,3. The maximum value is 33.23 for the start-up company SmileDirectClub Inc (SDC) in 2021 and the maximum value is 24,560,736,351 for the start-up company Bukalapak in 2021.

3. The X3 DER variable has an average value of 0.773913043. The minimum value is 0 and the maximum value is 23.9 on the start-up company SmileDirectClub Inc (SDC) in 2021.

4. Variable Y Company value using the Tobins`Q indicator. has an average value of 1,861,910,774,728.The minimum value is -35,352,128,758 for the Kuaishou Technology company in 2020 and the maximum value is 20,268,641,250 for the Uber start-up company in 2019.

Simultaneous f test

Table 3. F Test Results (Simultaneous Test)

R-squared	0.027740	Mean dependent var	6.42E+12
Adjusted R-squared	-0.093792	S.D. dependent var	1.69E+13
S.E. of regression	1.77E+13	Sum squared resid	7.51E+27
F-statistic	0.228254	Durbin-Watson stat	2.641222
Prob(F-statistic)	0.875795		

Source: Data processed with Eviews, 2023

The table shows that there is a calculated F value = 0.228254 with a probability value = 0.875795> 0.05, so it can be concluded that the ROE, Equity and DER variables do not simultaneously influence company value in start-up companies. The f test is carried out to see the effect of independent variables simultaneously on the dependent variable.

T test (partial)

The partial test (T test) is a statistical test used to find out how far the independent variable can explain the dependent variable individually.

Table 4. T Test Results (Partial Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.88E+12	4.36E+12	1.577858	0.1277
D(X1)	4.77E+12	1.30E+13	0.367927	0.7162
D(X2)	-360766	1047.419	-0.348167	0.7308
D(X3)	1.14E+11	1.98E+12	0.057434	0.9547

Source: Data processed with Eviews, 2023

From the test results it can be concluded by looking at the significance and coefficient as follows:

a. X1(ROE) has no effect on Y (company value) because the probability value of X1 is greater than 0.05.

b. X2 (EQUITY) has no effect on Y (company value) because the probability value of X1 is greater than 0.05.

c. X3 (DER) has no effect on Y (company value) because the probability value of X1 is greater than 0.05

Test R^2

In measuring the regression model, determination testing (R2) is required which is used to measure the level of suitability or perfection of the regression model. The following shows the results of testing the coefficient of determination

Table 5. R Square Test Results

R-squared	0.027740	Mean dependent var	6.42E+12
Adjusted R-squared	-0.093792	S.D. dependent var	1.69E+13
S.E. of regression	1.77E+13	Sum squared resid	7.51E+27
F-statistic	0.228254	Durbin-Watson stat	2.641222
Prob(F-statistic)	0.875795		

Source: Data processed with Eviews, 2023

The R2 test results obtained a value of $0.093792 \times 100\% = 9.3792\%$. Thus, the independent variables ROE, equity and DER influence company value by 9.3792%, while 90.6208% are influenced by other variables not included in this research.

Discussion

The ROE variable has no effect on company value in start-up companies in Yahoo Finance for the 2019-2021 period

The results of this test show that ROE has no effect on company value. It can be seen from the test results above that ROE is not one of the factors that influence the increase in company value for start-up companies. The more profits increase in the company's financial performance, the less it will have a negative effect on increasing company value.

The Equity variable has no effect on company value in start up companies in Yahoo Finance for the 2019-2021 period

The results of this research indicate that equity has no effect on company value. Equity includes the company's own capital used to finance activities that do not have an impact on the company's value, especially increases or decreases in the company's share price

The DER variable has no effect on company value in start-up companies in Yahoo Finance for the 2019-2021 period

The results of this research show that DER has no effect on company value because the amount of debt will not affect share prices and company value. Because the use of debt will cause equity to rise at the same rate.

CONCLUSION

Based on the results of hypothesis testing and the discussion carried out, the following conclusions were produced: 1. The results of the ROE hypothesis test on profitability are negative with a P value of $0.7162 > 0.05$ so that the results of the ROE hypothesis test have no effect on company value. 2. The results of the equity hypothesis test on profitability are negative with a P value of $0.7308 > 0.05$ so the hypothesis results have no effect on company value. 3. The results of the DER hypothesis test on profitability are negative with a P value of $0.9547 > 0.05$ so the hypothesis results have no effect on company value. 4. The results of the hypothesis test for the ROE, equity and DER variables through profitability are negative with a P value of $0.875795 > 0.05$ so they do not simultaneously influence company value.

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