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THE EFFECT OF RETURN ON ASSET (ROA) AND RETURN ON EQUITY (ROE) ON PRICE BOOK VALUE (PBV) IN REGIONAL DEVELOPMENT BANKS LISTING ON THE INDONESIA STOCK EXCHANGE (IDX).

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Abstract: *This study aims to analyze the effect of Return on Assets (ROA) and Return on Equity (ROE) on Price Book Value (PBV) at Regional Development Banks (BPD) listed on the Indonesia Stock Exchange (IDX). The object of this research is the Regional Development Bank (BPD) which is listed on the Indonesia Stock Exchange (IDX). The method used in this research is descriptive quantitative, which is a research approach that uses lots of numbers, starting with data collection, interpretation of the data obtained, and presenting the results using secondary data, namely financial data in 2019-2023 on a quarterly basis (53 financial data. The results showed that Return on Assets (ROA) had a positive and significant effect on Price Book Value (PBV) at Regional Development Banks (PBV) listed on the Indonesia Stock Exchange (IDX), while Return on Equity (ROE) had a negative but not significant effect. to Price Book Value (PBV) at Regional Development Banks (PBV) listed on the Indonesia Stock Exchange (IDX). The results of the study also show that Return on Assets (ROA) and Return on Equity (ROE) on Price Book Value (PBV) at Regional Development Banks (BPD) listed on the Indonesia Stock Exchange (IDX) with a determination value of 91.5%.*

Keywords: Return on Assets, Return on Equity, Price Book Value.

I. INTRODUCTION

Bank is a financial institution that functions as an intermediary between the owner of the funds and those who will manage the funds either for personal needs or to make investments. Banks also have a role as a party whose function is to facilitate and expedite receipts and payments. A bank is a financial institution that is generally established with the authority to receive money deposits, lend money, and issue promissory notes or banknotes [1]. Broadly speaking, the role of banking in the economy is, first, to carry out the transmission function. Second, collect and distribute funds (intermediation function). Third, transforming and distributing risk in an economy (transformation and distribution of risk function) [2]. Fourth, as well as instruments to stabilize economic conditions (stabilization function). The economic development of a nation must be fostered to improve the welfare of its citizens [3].

Regional Development Banks in Indonesia were established with the aim of moving and boosting the pace of the regional economy. The Regional Development Bank (BPD) is a group of financial institutions that play a role in driving the regional economy by supporting regional development financing. In order to support regional development financing and strengthen its function as an intermediary institution, the BPD must be able to improve efficiency in carrying out its operations. Therefore, an analysis of the efficiency of Regional Development Banks needs to be carried out to determine the level of efficiency and then take corrective action so that the BPD can carry out its function as an intermediary institution properly [4].

The role of Regional Development Banks in Indonesia is still very low. Various studies state that the existence of BPD in the national economy, especially the regional economy, is still relatively low[5].

BPD's contribution to regional development is still marginal, this can be seen from the still low percentage of productive credit which only reaches 26% according to the Financial Services Authority (OJK 2015). The increase in non-performing loans was due to weak governance, human resources, risk management and infrastructure. Therefore, BPD must make changes to overcome these structural weaknesses and improve the organizational foundation so that they can compete and develop and ultimately play a bigger role in the economy [6].

Return on Assets (ROA) and Return on Equity (ROE) are very important financial ratios. Return on Assets (ROA) is a ratio used to measure a company's ability to generate profits because this ratio represents the return on company activities [7]. ROA is not a perfect measure, but it is the most effective and widely available financial measure for assessing company performance. ROA is also less susceptible to the kinds of short-term plays that can occur on the income statement because many assets, such as property, plant, and equipment, as well as intangible assets, involve long-term asset decisions that are more difficult to change. short term [8].

The company's goal is to maximize the prosperity of shareholders or company owners (wealth of the shareholders). This normative goal can be realized by maximizing the market value of the firm (9). Price Book Value (PBV) is a financial ratio that measures the value of a company. If investors want to invest in a company, they can do a Price to Book Value (PBV) ratio so they can find out the price of a share of a company, whether it is cheap or expensive [10].

Based on this background, the research is interested in taking the title The Effect of Return on Assets (ROA) and Return on Equity (RE) On Price Book Value (PBV) in Regional Development Banks Listing on The Indonesia Stock Exchange (IDX).

II. LITERATURE REVIEW

A. Return on Asset (ROA)

ReturnonAssets (ROA) isoneoftheprofitabilityratios. In theanalysisoffinancialstatements, thisratioismostoftenhighlighted, becauseitisabletoshowthecompany'ssuccess in generatingprofits. ROA isabletomeasure a company'sabilitytogenerateprofits in thepasttothenbeprojected in thefuture. The assetsorassets in question are allofthecompany'sassets, obtainedfromitsowncapitalorfromforeigncapitalthatthecompany has convertedintocompanyassetsthat are usedforthecompany'ssurvival. AccordingtoBrighamandHouston (2001), "The ratioof net profit to total assetsmeasurethereturnon total assets (ROA) afterinterestandtaxes".

AccordingtoHorneandWachowicz (2005), "ROA measuresoveralleffectiveness in generatingprofitsthroughavailableassets; powertogenerate profit frominvestedcapital". HorneandWachowiczcalculate ROA usingthe formula for net profit aftertaxdividedby total assets. Bambang Riyanto (2001) mentionsthe term ROA withthe Net Earning Power Ratio (Rate ofReturnon Investment / ROI), whichistheabilityofthecapitalinvested in allassetstogenerate net profits. The net profit he meantwas net profit aftertax. Fromthedescriptionaboveitcanbeconcludedthat ROA or ROI in this study is a measureofthecomparisonbetween net incomeafterdeductinginterestandtaxes (Earning After Taxes / EAT) resultingfromthe main activitiesofthecompanywiththe total assets (assets) ownedbythecompanytocarryoutactivitiescompany as a wholeandexpressed as a percentage. The advantagesofReturnonAssets (ROA) includethefollowing:

1) ROA iseasytocalculateandunderstand.
2) Itis a managementperformancemeasurementtoolthatissensitivetoanyinfluenceonthecompany'sfinancialcondition.
3) Managementfocusesitsattentiononobtainingmaximumprofits.
4) As a benchmarkformanagementperformance in utilizingthecompany'sassetstoearnprofits.
5) Encouragingtheachievementofcompanygoals.
6) As a tooltoevaluatetheimplementationofmanagementpolicies.

In additiontotheseveraladvantagesofReturnonAssets (ROA) above, ReturnonAssets (ROA) also has weaknessesincluding:

1) Not encouragingmanagementtoaddassetsiftheexpected ROA valueistoohigh.
2) Managementtendstofocusonshort-term goalsratherthan long-term goals, sotheytendtomakeshort-term decisionsthat are moreprofitablebuthavenegative long-term consequences.

B. Return on Equity (ROE)

The profitabilityratiois a ratiotoassessthecompany'sabilitytoseekprofitsorprofits in a certainperiod. Thisratioalsoprovides a measureoftheeffectivenessof a company'smanagement as indicatedbythe profit generatedfromsalesorfrominvestmentincome. Itissaidthatthecompany has goodprofitabilityifitisabletomeetthe profit targetsthathavebeen set byusingitsassetsorcapital [8].

Profitabilityratios are classifiedintotwo, namelyReturn On Assets (ROA) andReturn On Equity (ROE). Return On Assets (ROA) is a profitabilityratiothatshowsthecomparisonbetween profit (beforetax) and total bank assets. The secondisReturn On Equity (ROE) whichis a profitabilityratiothatshows a comparisonbetween profit (aftertax) and bank capital (corecapital), thisratioshowsthepercentage level thatcanbegenerated in managingavailablecapitaltoget net income [9].

Return On Equity (ROE) has goalsandbenefits, not onlyforcompanyownersormanagement, butalsoforpartiesoutsidethecompany, especiallythosewhohave a relationshiporinterest in thecompany. Accordingto Kasmir, Returnon Equity (ROE) is a typeofprofitabilityratio. The goalsandbenefitsofusingprofitabilityratiosforcompanies, as well as forpartiesoutsidethecompany, namely [8]:

1) To measureorcalculatetheprofitsearnedbythecompany in a certainperiod.
2) To assessthecompany's profit position in thepreviousyearwiththecurrentyear
3) To assessthedevelopmentofprofitsfromtimetotime.
4) To assesstheamountof net profit aftertaxwithowncapital.
5) To measuretheproductivityofallcompanyfundsusedbothloancapitalandowncapital.

FromtheseveralpurposesandbenefitsofReturnon Equity describedabove, itcanbesaidthatReturnon Equity isusedtocalculateandmeasure, as well as analyzetheprofitsearnedbythecompany.

C. Price Book Value (PBV)

PricetoBookValueRatio (PBV) is a ratiothatshowstheresultsof a comparisonbetweenthemarketprice per shareandthebookvalue per share. Thisratioisusedtomeasurethe level ofstockpriceswhetherovervaluedorundervalued. The lowerthe PBV valueof a stock, thestockiscategorized as undervalued, whichisverygoodfor long-term investment. However, a low PBV valuecanalsoindicate a decline in thequalityandperformanceoftheissuer'sfundamentals. Therefore, the PBV valuemustalsobecomparedwiththe PBV ofotherissuers' shares in thesameindustry. If thedifferenceistoogreat, thenitshouldbefurtheranalyzed (Hery, 2016: 145)

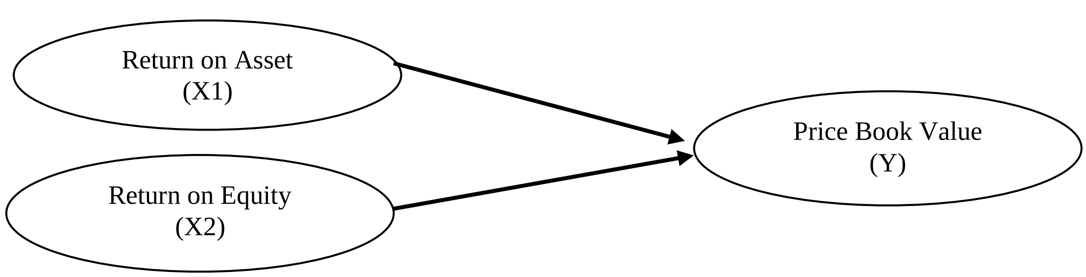
PBV isthemarketratiousedtomeasuretheperformanceofstockmarketpricestobookvaluewhichissupportedby Jones (2000) in Musdalifah, Sri, and Maryam (2015: 256), that PBV orprice per bookvalueratioistherelationshipbetweenstockmarketpricesandbookvalue per share.

AccordingtoRosenbergetal (1985) in Musdalifah, Sri, and Maryam (2015: 256) thatthegreaterthe PBV value, thehigherthemarketpriceofthestock. If themarketpriceof a stockishigher, thentherequiredstockreturnisalsohigher. Companieswithgoodperformanceusuallyhave a PBV ratioaboveone, thisindicatesthatthemarketvalueofthestockishigherthanthebookvalue. There are twothingsthatbecome a functionofPricetoBookValue:

1) Seeingwhether a stockiscurrentlybeingtradedat a pricethatisalreadyexpensive, stillcheap, and/orstillreasonableaccordingtoitshistoricalaverage.
2) Determinehowexpensiveorcheap a stockiscurrentlybasedonanestimateofthefairpriceforthenextoneyear.

D. Conceptual Framework

Based on the previous description and literature review, the related variables in this study can be formulated into a conceptual framework as follows:



Pig. 1. Conceptual framework

According to the picture above, it can be described that Return on Asset (ROA) dan Return on Equity (ROE) can affect Price Book Value (PBV).

III. RESEARCH METHOD

A. Research Design

The researchdesignisexplanatoryresearchwithquantitativemethods, namely a researchapproachthatuses a lot ofnumbers, startingfromcollecting data, interpretingthe data obtained, andpresentingtheresults (Arikunto, 2006).

B. Objectofresearch

The objects of this research are Regional Development Banks (BPD) which are listed on the Indonesia Stock Exchange (IDX), namely Banten Regional Development Bank, West Java Regional Development Bank and East Java Regional Development Bank. The financial reports used are the 2019-2023 annual financial reports in the form of quarterly data.

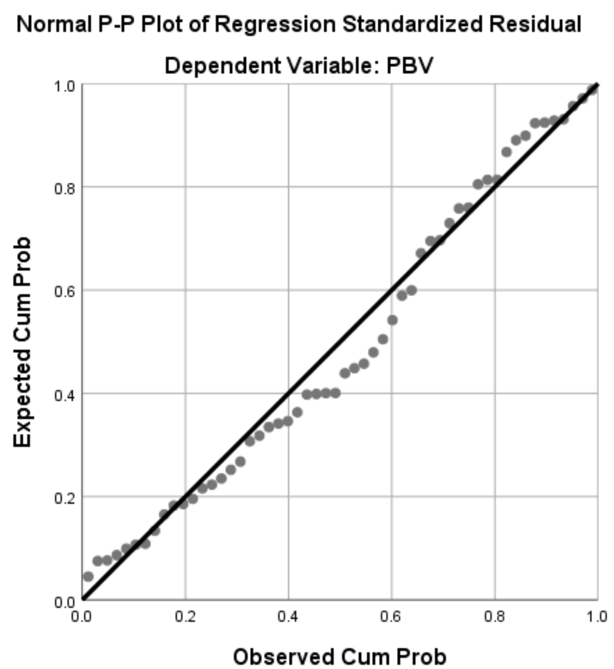
C. Data analysistechnique

To solvethe main problemsfaced in thisresearch, ananalyticalmethodisused, namelydescriptiveanalysis, namelyananalysisthatdescribestheresultsofsecondary data. This study usesananalyticaltool, namely SPPS version 25 software.

IV. RESULT

A. Classicassumptiontest

Heteroscedasticity is a classic requirement in linear regression analysis which must not occur which means that the residual variance must be the same. By using the SPSS version 25 program package, heteroscedasticity symptoms can be detected through the dependent variable scatterplot graph as follows:



Graph 1. DependentVariableScatterplot

The graph in thegraphaboveshowsthepointsspreadrandomlyanddo not form a certainpattern, besidesthatthey are spreadaboveandbelowthenumber 0 onthe Y axis. Thus, itdoes not showsymptomsofheteroscedasticity in theregression model.

B. MultipleRegressionTest

Basedontheresultsofmultipleregressionanalysisusing SPSS version 25, itshowsthatthereis a relationshipandvariation in thedirectionoftherelationshipbetweentheindependentvariableandtheindependentvariable. The influenceanddirectionoftherelationshipcanbeshown in thefollowingtable:

Table 1. Effectofthe Independent Variable (X) onthedependentvariable (Y).

Coefficientsa

Model		Unstandardized Coefficients		Sig.
		B	Std. Error	
1	(Constant)	2.267	.074	.000
	ROA	.875	.000	.000
	ROE	-.169	.000	.000

Source: Processed data (2023)

Basedontheresultsoftheregressionanalysis in thetableabove, itshowsthattheROAvariable has a positiveeffectonPBVandROEshows a negativeeffectonPBV. Fromtheresultsoftheanalysis, theregressionequationiscompiled as follows:

Y = 2.267+0,875X1 -0,169 X2

Fromtheresultsofthemultipleregressionequation, itcanbeinterpreted as follows:

1. Constant (a)
   ThismeansthatiftheReturn on Asseet (ROA) and Return on Equity (ROE)have a valueof 0 (zero) thenthe Net Profit is2.267.
2. The EffectofReturn on Asseet (ROA)onPrice Book Value (PBV)
   The valueoftheleveragecoefficientforReturn on Asseet (ROA)is0,875and a positivesignmeansthatReturn on Asseet (ROA)has a unidirectionalrelationshipwithPrice Book Value (PBV). For everyone unit increase in Return on Asseet (ROA), Price Book Value (PBV)willincreaseby 0.875andviceversa.
3. EffectofReturn on Ekuitas (ROE)onPrice Book Value (PBV)
   The valueoftheleveragecoefficientforReturn on Ekuitas (ROE)is 0.169and a negativesignmeansthatReturn on Ekuitas (ROE)has aindirectrelationshipwithPrice Book Value (PBV). For everyone unit increase in Return on Ekuitas (ROE), Price Book Value (PBV)willdecreaseby 0.169.

C. Simultaneous Testing (F Test)

The f testisusedtodeterminetheeffectofthevariablessimultaneously, namelycommunicationandmotivationandworkdisciplinesimultaneouslyaffectingemployeeperformance. The testisdonebycomparingthevalueofFcountandFtable. If thevalueofFcountisgreaterthanFtable, it has a significanteffectonthedependentvariable. The resultsofthe f testcalculationscanbeseen in thefollowingtable:

Table 2 CalculationResultsof f . Test

ANOVAa

Model		F	Sig.
1	Regression	276.185	.000b
	Residual		
	Total		

Source: Processed data (2023)

Basedontable 2, itcanbeseenthattheresultsofstatisticalcalculationsshowthevalueofFcount = 276,186>Ftable = 2.64 using a significance limit of 0.05, sofromthetableabove, a significancevalueoflessthan 0.05 isobtained, itcanbeconcludedthatReturn on Asseet (ROA) and Return on Equity (ROE)have a jointeffectonPrice Book Value (PBV).

D. T Test (PartialTest)

The t-testisusedtodeterminewhethertheindependentvariablepartially has a significanteffectonthedependentvariable. The degreeofsignificanceusedis 0.05. If thesignificantvalueislessthanthedegreeofconfidence, thenweaccepthealternativehypothesis, whichstatesthatanindependentvariablepartiallyaffectsdependentvariable. T-testanalysisisalsoseenfromthetable as follows:

Table 3. The EffectofPartial Independent VariablesontheDependentVariable.
Coefficientsa

Model		t	Sig.
1	(Constant)	30.776	.000
	Working Capital	11.138	.000
	Sales Volume	-19.305	.000

Source: Processed data (2023)

1. The PartialEffectofReturn on Asseet (ROA)onPrice Book Value (PBV)
   Fromtable 3 itcanbeconcludedthatthe regional workingcapital has a tcountof11.138withttable= 1.674. Sotcount> t tableor11.138>1.674with a significancevalueof 0.000meaninglessthan 0.05 itcanbeconcludedthatReturn on Asseet (ROA) has significanteffectonPrice Book Value (PBV).
2. PartialEffectofReturn on Ekuitas (ROE)onPrice Book Value (PBV)
   Fromtable 3 itcanbeconcludedthattheReturn on Ekuitas (ROE) has a tcountof-19,305withttable = 1.674. Sotcount<ttableor-19,305<1.65 with a significancevalueof 0.000 meaninglessthan 0.05, itcanbeconcludedthatReturn on Ekuitas (ROE)has a not significanteffectonPrice Book Value (PBV).

E. Coefficientofdeterminationtest (R^2)

The coefficientofdeterminationisusedtofindouthowbigtherelationshipofseveralvariablesis in a clearersense. The coefficientofdeterminationwillexplainhowmuchchangeorvariation in a variablecanbeexplainedbychangesorvariations in othervariables (Santosa & Ashari, 2005). The valueofthiscoefficientisbetween 0 and 1, iftheresultiscloserto 0 itmeanstheabilityoftheindependentvariablestoexplainthevariationofthevariableisverylimited. Butiftheresultisclose to 1, itmeansthattheindependentvariablesprovidealmostalltheinformationneededtopredictthevariationofthedependentvariable. For analysisusing SPSS outputcanbeseen in thetable "Model Summary" as follows:

Table 4. The effectoftheindependentvariableonthedependentvariable
Model Summaryb

Model	R	R Square	Adjusted R Square
1	.957[a]	.915	.912

BasedonTable 4. itcanbeconcludedthattheReturn on Asseet (ROA) and Return on Equity (ROE)haveaneffectof 91.5% onPrice Book Value (PBV), while8,5% isinfluencedbyothervariables not

examined. Becausethevalueof R Squareisabove 5%, itcanbeconcludedthattheabilityoftheindependentvariable in explainingthedependentvariationisverygood.

V. DISCUSSION

Return on Assets (ROA) has a positive and significant effect on Price Book Value (PBV). This means that any increase in the company's ability to return their assets will increase the value of the company. This research is in line with research conducted by Akbar (2021) with the results of the Return on Assets hypothesis test on Price to Book Value, a tcount value of 2.594 is obtained and a significant value is 0.014, a t table is 2.026, so it is stated that tcount>ttable (2.594 > 2.026) and a significance value of 0.014 <0.05 then Ho is rejected and Ha is accepted. Ha is accepted, meaning that there is an effect of return on assets on the Price to Book Value of banking companies listed on the Indonesia Stock Exchange. This research is not in line with research conducted by Zulhijar, et al (2021) with the results of the study that the ROA variable obtained a t count of 0.073 which is smaller than a t table of 2.028. besides thatthe probability value obtained is 0.942 > 0.05 so it can be concluded that ROA has no significant effect on PBV.

Return on Equity (ROE) has a negative but not significant effect on Price Book Value (PBV). This means that any increase in the company's ability to return their equity will reduce the value of the company, although not significantly. This research is not in line with research conducted by Pustika, et al (2022) with the results of the research that Return on Assets (ROA) has a positive and significant effect on Price Book Value (PBV). This means that any increase in the company's ability to return their assets will increase the value of the company.

VI. CONCLUSION

Basedontheresultsofresearchanddiscussion in this study, itcanbeconcludedthat:

1. Return on Assets (ROA) has a positive and significant effect on Price Book Value at Regional Development Banks (BPD) listed on the Indonesia Stock Exchange (IDX).
2. Return on Equity (ROE) has a negative but not significant effect on Price Book Value at Regional Development Banks (BPD) listed on the Indonesia Stock Exchange (IDX).

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