# THE EFFECT OF RETURN ON EQUITY AND GROWTH ASSETS ON PRICE BOOK VALUE WITH DEBT TO EQUITY AS INTERVENING VARIABLES IN SUB COMPANIES METAL SECTOR LISTED IN INDONESIA STOCK EXCHANGE

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### Abstract

*This study aims to determine the effect of Return on Equity, Change In Total Assets on Price Book Value with Debt To Equity as an intervening in metal sub-sector companies listed on the Indonesia Stock Exchange.This research is associative research with documentation data collection techniques, the population in this study amounted to 16 companies and the sample taken was 14 companies. The sampling technique used is the purposive sampling technique. The method of analysis used is path analysis. The results showed that Return On Equity has a positive and significant effect on Debt To Equity, Return On Equity has a positive and insignificant effect on Price Book Value, Growth Assets affects positive and insignificant to Debt To Equity, Growth Assets have a positive and insignificant effect on Price Book Value, Debt to Equity has a positive and insignificant effect on Price Book Value, Debt to Equity as mediation on Return On Equity and Price Book Value negatively and insignificantly affecting, Debt to Equity as mediation on Growth Assets and Price Book Value negatively affecting and insignificant.*

*Keywords : Return on equity, Growth asset, Debt to equity, and Price book value*

## 1. INTRODUCTION

Metal sector companies in Indonesia are companies that provide potential and contribute to national economic development. This is because the results of the metal industry are the main raw materials for the activities of other industrial sectors, such as machinery and equipment of automotive, maritime factories as well as electronics. In addition, metal products are indispensable by many sectors, including the construction sector which includes buildings, property, roads and bridges, electricity and others.

based on the data that has been presented using the calculation of total assets (total assets of the current year minus the total assets of the previous year divided by the total assets of the current year) experience fluctuations in in 2015-2018 where after calculating with complete data on metal sub-sector companies experienced an increase every year, this shows that metal sub-sector companies very good in managing the total assets of the company.

Based on data from the calculation of total assets , the company's growth shows that it experienced fluctuations from 2016-2018, where in 2016-2017 total assets had an average value of very good increases in management while in 2017-2018 total assets increased again which shows that the company can manage the company's total asset net profit well.
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## 2. RESEARCH METHODS

This research approach uses an associative approach. This study used empirical data obtained from the Indonesia Stock Exchange (IDX) specifically for metal sub-sector companies from 2016 to 2018 listed on the Indonesia Stock Exchange (IDX) (www.idx.co.id). In this study, the data analysis technique used was structural model analysis using 5 tests, including: (1) *R-square;* (2) *f-square* (3) *Mediation effects:* (a) *Direct effects;* (b) *Indirect effects;* and (c) *Total effects*.

## 3. RESULTS AND DISCUSSION

### 1) Effect of *Return on equity* on *Debt to equity*

The effect *of return on equity* on *debt to equity* generates positive and significant value. The findings mean that the more *retun on equity* increases, the *debt to equity* will decrease. A significant value indicates that *the return on equity* is very meaningful in influencing *debt to equity*. Previous research also examined how the return *on equity* relates to *debt to equity*. Based on previous research conducted (Saputro

and Pratiwi, 2019) stated that the *return on equity* on *debt to equity* has a negative and significant effect And research (Insiroh, 2014) states that there is an influence between *Return on equity* and *Debt to equity*.

2) **The Effect *of Return on equity* on *Price book value***

The effect *of return on equity* on *price book value* results in positive and insignificant value. The findings mean that the more the *return on equity* increases, the *price book value* will decrease. Insignificant value indicates that the *return on equity* is not meaningful enough in influencing the *price book value.* Previous research also examined how the *return on equity* relates to *price book value*. Based on previous research conducted (Jamil, 2017) stated that the *return on equity on price book value* has a positive and significant effect And research (Nofrita, 2013) that there is an influence between *Return on equity and Price book value.*

3) **The Effect of *Company* Growth on *Debt to equity***

The effect *of change in total assets* on *debt to equity* generates positive and insignificant value. The findings mean that as the change *in total assets* increases, the *debt to equity* will also decrease. Insignificant value indicates that the company's growth does not significantly affect *debt to equity*. Previous research also examined how the relationship between the company's growth and *debt to equity* is related. Based on previous research conducted (Rahma, 2019) stated that the company's growth in *debt to equity* has a positive and significant effect and research (Maryanti, 2016) that there is an influence between company growth and *Debt to equity*.

4) **The Effect of Company Growth on *Price book value***

The effect of *change in total assets* on *the price book value* results in a positive and insignificant value. The findings mean that the more the *change in total assets* increases, the *price book value* will also increase. Insignificant value indicates that the company's growth does not significantly affect the *price book value* enough. Previous research also examined how the relationship between company growth and *price book value.* Based on previous research conducted (Dewi and Candradewi, 2018) stated that the company's growth in *price book value* had a positive and significant effect And in research by (Utama & Dhani, 2017) that there is an influence between company growth and *price book value*.

5) **The Effect of *Debt to* equity on *Price book value***

The effect of *debt to equity* on *the price book value produces* positive and insignificant values. The findings mean that the more *debt to equity* increases, the *price book value* will also decrease. An insignificant value indicates that *debt to equity* does not sufficiently affect the *price book value*. Previous research also examined how *debt to equity relates to price book value.* Based on previous research conducted (Nurnaningsih, 2019) stated that *debt to equity* on *price book value* has a negative and significant effect And in research by (Jufrizen & Asfa, 2015) that there is an influence between *debt to equity* on *price book value*.

6) **The Effect Of *The Role Of Debt To Equity* As Mediation On *Return On Equity* And *Price Book Value***

The effect of *the role of debt to equity* as a mediating variable on *return on equity* and *price book value* results in negative values. The findings mean that *debt to equity* is not capable of mediating returns *on equity* and *price book value.* Previous research also examined the role between *debt to equity* as mediation to *return on equity* and *price book value*. Based on previous research conducted (Hidayat, 2019) states that the direct influence of *debt to equity* as mediation on *return on equity* and *price book value* is positive and significant And research (Purnomo & Erawati, 2019) that there is an influence between the role of *debt to equity* as an intervening variable on *return on equity* and *price book value*.

7) **The Effect Of *The Role Of Debt To* Equity As Mediation On Company Growth And *Price Book Value***

The influence of *the role of debt to equity* as a mediating variable on *changes in total assets* and *price book value* results in negative values. The findings mean that *debt to equity* is unable to mediate the company's growth and *price book value.* Previous research also examined the role of *debt to equity* as a mediation to company growth and *price book value*. Based on previous research conducted (Novianto, 2016) stated that the indirect influence of *debt to equity* as mediation on company growth and *price book value* is negative and insignificant.

## 4. CONCLUSION

Variable X1, namely the return on equity to variable Y, namely price book value through variable X3, namely debt to equity, obtains a P-value of $0.673 > 0.05$, then the relationship is insignificant, which means that the mediator variable does not mediate the influence of a variable that affects a variable that is influenced. In other words the influence is direct.

Variable X2, namely the change in total assets to variable Y, namely price book value through variable X3, namely debt to equity, obtains a P-value of $0.569 > 0.05$, then the relationship is not significant,

which means that the \mediator variable does not mediate the influence of a variable that affects a variable that is influenced. In other words the influence is direct.

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