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THE ROLE OF FINANCIAL PERFORMANCE IN MEDIATING THE EFFECT OF INSTITUTIONAL OWNERSHIP, COMPANY SIZE AND SALES GROWTH ON FIRM VALUE

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ABSTRACT

This study aims to examine the role of financial performance in mediating the effect of institutional ownership, firm size, and sales growth on firm value in consumer goods industry companies listed on the Indonesia Stock Exchange for the 2015-2019 period. The sample used in this study was 116 data and selected based on the purposive sampling method. Analysis of data using path analysis test with the program Eviews 10. The results proved that institutional ownership, firm size, and sales growth does not effect the firm value, while return on equity has a significant positive effect on firm value. Institutional ownership does not effect on the return on equity, firm size has a significant negative effect on return on equity, and sales growth has a positive and significant effect on return on equity. Institutional ownership and firm size does not effect the firm value with a return on equity as an intervening variable, while sales growth has a positive and significant effect on firm value with a return on equity as an intervening variable.

ABSTRAK

Penelitian ini bertujuan untuk menguji peranan kinerja keuangan dalam memediasi pengaruh kepemilikan institusional, ukuran perusahaan, dan pertumbuhan penjualan terhadap nilai perusahaan pada perusahaan industri barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2015-2019. Sampel yang digunakan dalam penelitian ini sebanyak 116 data dan dipilih dengan metode purposive sampling. Alat analisis yang digunakan adalah analisis jalur dengan program Eviews 10. Hasil penelitian menunjukkan bahwa kepemilikan institusional, ukuran perusahaan, dan pertumbuhan penjualan tidak berpengaruh terhadap nilai perusahaan, sedangkan return on equity berpengaruh positif signifikan terhadap nilai perusahaan. Kepemilikan institusional tidak berpengaruh terhadap return on equity, ukuran perusahaan berpengaruh negatif signifikan terhadap return on equity, dan pertumbuhan penjualan berpengaruh positif dan signifikan terhadap return on equity. Kepemilikan institusional dan ukuran perusahaan tidak berpengaruh terhadap nilai perusahaan melalui return on equity sebagai variabel intervening, sedangkan pertumbuhan penjualan berpengaruh positif dan signifikan terhadap nilai perusahaan melalui return on equity sebagai variabel intervening

INTRODUCTION

Industry 4.0 today every company always wants to be seen so that it is always good and superior, namely by increasing the company's prosperity. The company can be said to be prosperous with one of the factors, namely the increase in the value of the company. The value of the company is an indicator that investors first look at before deciding to invest in a company that is linked to the value of its stock price. The increasing value of the company representing the welfare of the owners has also increased.

The Indonesia Stock Exchange shows that the value of the company proxied through the stock market value has changed even though there is no financial policy carried out by the company. The value of the company can change due to other information such as social and political situations, because this information can affect the policies taken by the company. The company is expected to always experience an increase in the value of the company from year to year. In fact, most companies in Indonesia have a small company value and experience fluctuations from year to year. Too significant fluctuations in the value of the company result in the emergence of problems, such as the company may lose its attractiveness in the stock market.

Table 1. Average Company Value 2015-2019

Year	Average Company Value
2015	2.434551392
2016	2.978890066
2017	3.627654611
2018	3.252551964
2019	2.609761928

Source: Processed data, 2020.

Based on table 1, it can be seen that the value of companies in manufacturing companies in the consumer goods industry sector in 2015-2019 experienced fluctuations. The following is a graph of the increase or decrease in the value of the company with a *Price Book Value* (PBV) proxy shown in Figure 1:

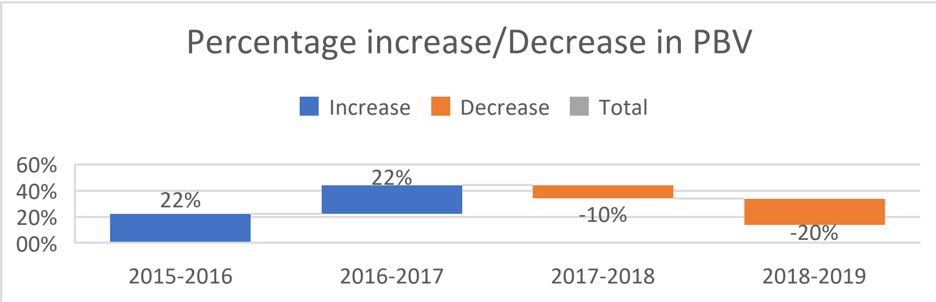

Figure 1. PBV Increase/Decrease Percentage Chart

This phenomenon indicates that manufacturing companies in the consumer goods industry sector in 2015 to 2019 tend to be less stable in maintaining their company value. Therefore, the practice of achieving company value is certainly not easy and requires a long enough time, so support is needed in order to achieve maximum company value.

The results of the study said that institutional ownership had a significant positive effect on (Kurniawati et al., 2019)ROE. Meanwhile, the results of the study stated that institutional ownership has no effect on (Puniayasa & Triaryati, 2016)ROE. An researcher (N. P. W. P. Damayanti & Suartana, 2014) , (Adam, 2015) stated that institutional ownership has a significant positive effect on the value of the company. An researcher (Hayati et al., 2018) said that institutional ownership has a significant negative effect on the value of the company. Meanwhile, the researcheran, (Wahyudi & Pawestri, 2006)(Permanasari, 2010) , (Israel et al., 2018) states that institutional ownership has no effect on the value of the company.

In the study, showed the presence of a significant negative influence of the size of the company on the ROE. Meanwhile, the results of his research show that the size of the company has a positive effect on ROE. Research shows that the size of the company has a positive effect on the value of the company. According to research there is a positive and insignificant influence between the size of the company on the value of the company. Meanwhile, research shows a negative influence between the size of the company on the value of the company(Isbanah, 2015)(Wardani & Rudolfus, 2017) (P. Damayanti & Savitri, 2018)(Hidayat, 2018) (Dewi & Sudiartha, 2017) (Mutmainnah et al., 2019).

From the above problems, researchers are interested in researching company value by adding the roe intervening variable so that the title of the study is "The Effect of Institutional Ownership, Company Size, and Sales Growth on Company Value with *Return On Equity* as an Intervening Variable in Manufacturing Companies in the Consumer Goods Industry Sector on the Indonesia Stock Exchange". This research is an extension replication of consumer goods sector manufacturing companies on the IDX since 2015-2017. (Fatimah et al., 2017)

This research was conducted with ten objectives including toanalyze the effect of institutional ownership on *return on equity*; manalyze the effect of institutional ownership on company value; manalyze the effect of company size *on return on equity*; m analyze the effect of company size on company value; m enganalysis the effect of company size on company value; m analyze the effect of sales growth *on return on equity*; manalyze the effect of sales growth on company value; analyze the effect of *return on equity* on company value; manalyze the effect of *return on equity* as an intervening variable between institutional ownership on value company; manalyze the effect *of return on equity* as an intervening variable between the size of the company on the value of the company; manalyze the effect of *return on equity* as an intervening variable between sales growth and company value.

The inconsistency of research results that have been carried out by previous researchers makes research on this topic still important and interesting to study. In addition,this research not only provides benefits that can be felt by the author, but also provides benefits to parties related to this study both directly and indirectly. As the theoretical benefits in this study are expected to be able tostrengthen previous research related to factors that influence the company in determining company value. For practical benefits in this study as a means or reference for investors in weighing and making a decision in determining the value of the company based on factors that affect the value of the company.

Institutional ownership has a role in supervising the company, which is expected to work optimally. The higher the institutional ownership, the stronger the monitoring of the company, the company's performance will increase if the company owner can control management to act in accordance with the company's goals. According to his research states that institutional ownership has a positive influence (Mahardhika, 2019)*on the return on equity.*

With the large value of institutional ownership, the higher the level of supervision and funding in each company's activities, which in the end the company will be more active in increasing profits so as to increase *return on equity*.

Based on the description above, the hypothesis proposed is:

H1 : Institutional ownership has a significant positive effect on ROE.

Institutional ownership is one of the efforts to minimize the occurrence of agency conflicts that occur between the *principal* and the manager. It can be interpreted that the higher the level of institutional ownership, the smaller the behavior of managers who attach importance to their own interests The existence of high supervision of the company will try to increase the company's returns. That way investors will feel more interested in investing in the company. Thereare so many investors who are interested in investing in stocks automatically the demand for stocks will increase. The increasing number of requests for shares will result in the stock price increasing as well. This shows that the value of the company is also increasing. Hypothesis

2 is supported by research and research that states that institutional ownership has a significant effect on company value. (Adam, 2015)(Sukmawardini & Ardiansari, 2018)
Based on the description above, the hypothesis proposed is:
H2 : Institutional ownership has a significant positive effect on the value of the company.

The size of the company indicates the size of the company which can affect the profitability of the company. The larger the company, the lower its financial performance. This is because the large size of the company is not necessarily supported by good company management. On the other hand, companies with a small size will be supported by good management from the management because performance monitoring is more effective. Good management will be followed by an increase in the company's profitability. Meanwhile, large size companies with ineffective management will reduce profitability. Hypothesis 3 is supported by research (Wardani & Rudolfus, 2017) and research that states that the size of the company negatively affects the (Ashraf & Butt, 2017)*return on equity*.
Based on the description above, the hypothesis proposed is:
H3 : The size of the company has a significant negative effect on ROE.

The size of the company describes how big the company is by using total assets and sales amounts as its measurement. The larger the company, the more interested investors are in investing in shares which results in increased demand so that the stock price will rise. The increase in demand for shares will affect the increase in stock prices which will certainly affect the increase in the value of a company. a large company can cause the market to be willing to pay more to get its shares because it believes it will get a profitable return from the company. The results of research and research support hypothesis 3 which states that the size of the company has a significant positive effect on the value of the company(Pratama & Wiksuana, 2016)(Chabachib et al., 2019).
Based on the description above, the hypothesis proposed is:
H4 : The size of the company has a significant positive effect on the value of the company.

Sales are the main focus of a company. A good sales system really needs to be needed by manufacturing companies. With the prediction of sales calculations, the company can prepare all the needs for the production process and can find out how much profit is obtained. With the increase in sales growth, the company can prepare production needs appropriately so that it can still cover production costs which are expected to increase and maintain company profits. Companies that experience high sales growth rates will be followed by increased profitability. Hypothesis 5 is supported by research that states that sales growth has a positive and significant effect on profitability.(Princess, 2020)
Based on the description above, the hypothesis proposed is:
H5 : Sales Growth has a significant positive effect on ROE.

Companies that experience high sales growth attract the attention of investors to invest their capital. With a high sales growth rate in a company will be followed by high profitability as well. This makes it increase the confidence of investors to invest in the company. If this happens, it will increase demand until there is an increase in stock price, which means there is an increase in the value of the company as well. The results of the study support hypothesis 6 which states that sales growth has a significant positive effect on the value of the company.(Princess, 2020)

Based on the description above, the hypothesis proposed is:
H6 : Sales growth has a significant positive effect on the value of the company.

Profitability is the company's ability to generate a profit with a certain period of time. Profitability has measurements including through (Wardhany et al., 2019)*Return On Asset* and *Return On Equity*. *Return On Equity* can be interpreted as the ability of a company to make a profit by utilizing existing equity. With a high ROE, it will affect the company's stock price to increase. So it can reflect the company's performance well so that it can attract the attention of investors to invest their capital which has an impact on the company's value increasing The results of the study support hypothesis 7 which states that the return on equity has a significant positive effect on the value of the company. (Apriliyanti et al., 2019).(Sukmawardini & Ardiansari, 2018)
Based on the description above, the hypothesis proposed is:
H7: *Return On Equity* has a significant positive effect on the value of the company.

Profitability proxied by *retun on equity* is able to become an intervening variable the influence of institutional ownership on the value of the company. The higher the level of institutional ownership, the higher the level of supervision carried out on the company. The company's performance will improve if the company can control in accordance with the company's goals. The higher the institutional ownership of the company will be enterprising to increase profits. The rising profit is a positive signal for investors that the company is reflectingan good company performance. This can attract the attention of investors to invest their shares which will affect the increase in stock prices as an indicator of the company's value.
Based on the description above, the hypothesis proposed is:
H8 : *Return On Equity* is able to mediate the relationship between institutional ownership and company value.

Return on equity can be an intervening variable between the size of the company and the value of the company. Companies with a small size will be supported by good management from the management because performance monitoring is more effective. Good management will be followed by an increase in the company's profitability. Meanwhile, large size companies with ineffective management will reduce profitability. The decline in the company's profit will be followed by a decrease in the interest of investors to invest their shares, which has an impact on decreasing the value of the company.
Based on the description above, the hypothesis proposed is:
H9 : *Return on equity* is able to mediate the relationship between company size and company value

Return on equity can be an intervening variable between sales growth and company value. Companies that experience good sales growth will provide information to external parties to know that the company is experiencing continuous sales growth. That way investors believe that with the growth of sales, it can increase the company's revenue followed by an increase in the company's profit. High profits give a good signal to investors that the company can reflect good performance so that it can attract the attention of investors to invest its capital which has an impact on the company's value to increase.
Based on the description above, the hypothesis proposed is:

H10 : Return on equity is able to mediate the relationship between sales growth and company value.

Based on the explanation and formulation of hypotheses in this study, a research model can be described in order to provide an overview of the relationship of each variable, as follows:

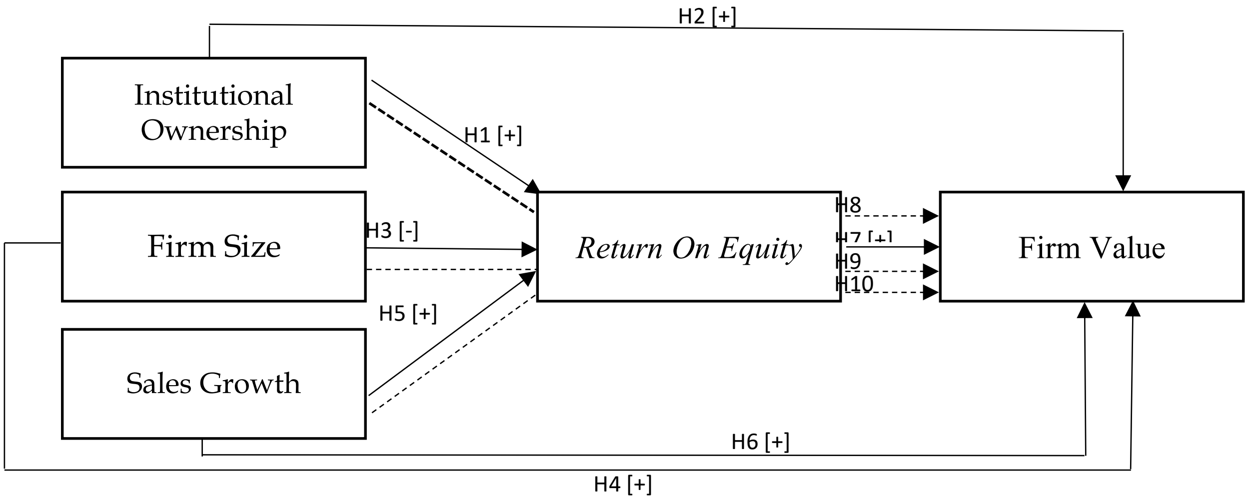

Figure 2. Research Model

RESEARCH METHODS

The population in this study is a manufacturing company in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX). The number of samples in this study was 116 samples. The data collection technique carried out in this study is by the method of documentation and literature study. The sampling technique used in this study is *purposive sampling* which means that it has certain criteria, namely, manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2015-2019 period, obtained positive profits during the 2015-2019 period, obtained positive sales growth in the 2015-2019 period, had institutional ownership data in the period 2015-2019. The types of variables used in this study include:

Dependent Variables :

Company Values

(Weston & Brigham, 1998) reveals that the measurement of the value of the enterprise can be formulated with PBV. *Price Book Value* (*PBV*) is the result of a comparison between the market price per share and the book value per share. Formula according to :(Weston & Brigham, 1998)

$$PBV = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

Independent Variables:

Institutional Ownership

Institutional ownership is a variable that can help minimize the occurrence of fraud in profit management so that it can make a significant report of quality profit generation. As for the formula according to the following:(Sartono, 2010)

$$IO = \frac{Number\ of\ Institutionally\ owned\ shares}{The\ Amount\ of\ share\ capital\ outstanding}$$

Company Size

(Hanif et al., 2019) states the size of the company reflects the size of the assets used for operational activities by an enterprise. The size of the assets can be indicated from the total assets and total sales. Systematically, the formula can be written as follows:

$$UP = \text{Ln Total Assets}$$

Sales Growth

According to sales growth is the difference between the number of sales in the current period and the number of sales of the previous period compared to the number of sales of the previous period. Then it can be written as follows:(Susanto et al., 2016)

$$PP = \frac{Sales\ t - Sales\ (t-1)}{Sales\ (t-1)}$$

Intervening Variables :

Return on Equity

According to this ratio measures the ability of the company to make a profit based on a certain share capital. This ratio is a measure of profitability from a shareholder point of view. So that the formula according to :(Hanafi, 2017)(Hanafi, 2017)

$$ROE = \frac{Net\ Profit\ after\ Tax}{Own\ Capital}$$

Analysis Tools

Hypothesis testing was conducted to examine the effect of institutional ownership, company size, and sales growth on company value through *return on equity* as an intervening variable. Technical data analysis in this study was carried out using the method of multiple linear regression. Multiple linear regression is used to determine the factors that affect between independent variables and dependent variables, where in this study there are independent variables of more than one variable. The first step before using the regression model is used to test the hypothesis, then a descriptive statistical analysis is first carried out. The next step of testing classical assumptions in this study consists of a multicholinearity test, an autocorrelation test, and a heteroskedasticity test.

The data processing software used in this study is *Eviews* 10. The multiple linear regression equation is as follows :

$$ROE = a + b_1KI + b_2UP + b_3PP + e$$
$$PBV = a + b_1KI + b_2UP + b_3PP + b_4ROE + e$$

Information :

a : Konstanta
b : Koefisien
PBV : Firm Value
ROE : *Return On Equity*
KI : Institutional Ownership
UP : Firm Size
PP : Sales Growth
e : Error term

To test the hypothesis proposed in this study, it is necessary to use regression analysis through determination tests, F tests, and t tests.

RESULTS AND DISCUSSION

The object used in this study is a manufacturing company in the consumer goods industry sector in the period from 2015 to 2019 which is listed on the Indonesia Stock Exchange (IDX). The distribution of data from each variable used in the study is as follows:

Table 2. Descriptive Statistical Test Results

INFORMATION	FV	IO	FS	SG	ROE
Mean	2,672458	0,723438	28,7714	0,135261	0,157693
Median	1,984379	0,782138	28,69592	0,102468	0,146247
Maximum	7,073614	0,984066	32,20096	1,340577	1,381172
Minimum	0,372094	0,131797	25,49891	0,004697	0,002144
Std. Dev.	1,749968	0,172974	1,603175	0,148926	0,136856
Observations	116	116	116	116	116

Source: Eviews 10 data processing results, 2020

Table 2 provides an overview of the minimum, maximum, average, median, and *standard deviation* values of each research variable. After going through the sample selection process, the data that met the criteria were 116 samples.

Hypothesis Test

Table 3. T Test Result Equation 1

Variable	Coefficient	Prob.	Information
C	1.805648	0.0027	
IO	0.048849	0.4664	Rejected
FS	-0.06078	0.0037	Accepted
SG	0.483286	0.0000	Accepted

Source : Eviews 10 data processing results, 2020

Table 4. T Test Results of Equation 2

Variable	Coefficient	Prob.	Information
C	0.150218	0.9725	
IO	-0.54994	0.6064	Rejected
FS	0.084225	0.5700	Rejected
SG	-1.62595	0.1659	Rejected
ROE	3.413439	0.0361	Accepted

Source: Eviews 10 data processing results, 2020

Discussion

The Effect of Institutional Ownership on Return On Equity

Based on table 4.16 institutional ownership variables have a regression coefficient value of 0.048849 and a probability of 0.4664 > 0.05 which means that institutional ownership has no effect *on return on equity*.

Institutional ownership cannot affect *the return on equity*. This is because institutional investors have a high risk. High risks arise as a result of the placement of a large amount of funds in the company in question, so institutional owners tend to act in their interests only rather than the interests of minority shareholders. This causes an imbalance in determining the direction of company policies which has an impact on circumstances that are not conducive and will not improve the company's financial performance. Therefore, institutional investors are not directly related to increasing company profits. It can be concluded that institutional ownership has not been able to become a mechanism that can affect *the return on equity*. These results are in line with research that institutional ownership has no effect on (Wiranata & Nugrahanti, 2013)*return on equity*.

The Effect of Institutional Ownership on Company Value

Based on table 4.17, the institutional ownership variable has a regression coefficient value of -0.54994 and a probability of 0.6064 > 0.05 which means that institutional ownership has no effect on the company's literacy.

The high level of institutional ownership is not capable of affecting the value of the company. This is contrary to the statement that the higher the level of institutional ownership, the stronger the monitoring carried out on the company so that the occurrence of profit management will be reduced. The higher level of institutional ownership in monitoring the behavior of managers of a company cannot run optimally because institutional ownership tends to spread. Institution owners do not only invest in one company but in various different companies which causes the institution to tend to agree to manager decisions that benefit the company. Institutional ownership does not participate in decision-making, so investors in investing do not see the size of institutional ownership, so it does not affect the stock price as an indicator of the value of the company. So it can be concluded that institutional ownership has not been able to become a mechanism that can affect the value of the company. This research is in line with research that institutional ownership has no effect on the value of the company.(Israel et al., 2018)

Effect of Company Size on Return On Equity

Based on table 4.16, the company size variable has a regression coefficient value of -0.06078 and a probability of 0.0037 < 0.05 which means that the size of the company has a significant negative effect *on the return on equity*.

The size of the company affects the performance of an enterprise. However, the influence given is negative in the sense that the larger the size of the company, the smaller the performance of a company. This is because large companies have not been supported by good management from the management because small companies actually have better performance monitoring effectiveness. The larger the size of the company, the greater the costs needed for its operational activities. Therefore, the need for funds needed by the company is getting bigger so that the company's profit will decrease due to the ineffective management of the company with a large size. So it can be concluded that the size of the company has a negative influence *on the return on equity*. This research is in line with research that company size has a significant negative effect on (Wardani & Rudolfus, 2017)*return on equity*.

The Effect of Company Size on Company Value

Based on table 4.17, the company size variable has a regression coefficient value of 0.084225 and a probability of 0.5700 > 0.05 which means that the size of the company has no effect on the value of the company.

The size of the company is not always followed by an increase in the value of the company. Investors when assessing the company do not look at the size of the company which is reflected through the total assets owned by the company. Total assets do not always come from the company's internal funding sources, but from funding sources from external parties such as debt. The company will use the profits earned to fulfill the obligations in advance, which is to pay the debts owned by the company rather than being used for the prosperity of the shareholders. Therefore, investors will better review various other *good* news that can increase the value of companies such as companies that carry out CSR (*Corporate Social Responsibility*). Companies that carry out CSR activities will receive a lot of support from various *stakeholders*. This research is in line with the research that the size of the company does not affect the value of the company.(Suryandani, 2018)

The Effect of Sales Growth on Retun On Equity

Based on table 4.16, the sales growth variable has a regression coefficient value of 0.483286 and a probability of 0.0000 < 0.05 which means that sales growth has a significant positive effect *on return on equity*.

The higher the growth in food sales, the higher the profit earned by the company. With the increase in sales growth, the company can prepare production needs appropriately so that it can still cover production costs which are expected to increase and maintain company profits. Companies that experience a high level of sales growth will focus on strategies to win the market by attracting consumers to always choose their products such as diversifying products. For this reason, the factors affecting sales must be strictly observed and followed by setting policies to anticipate the conditions that will occur so that the company can sell its products in large quantities and the sales volume will increase. The increasing sales volume will be followed by increased profitability. So it can be concluded that sales growth has a positive effect *on return on equity*. This research is in line with research that sales growth has a significant positive effect on (Andriasari et al., 2014)*return on equity*.

The Effect of Sales Growth on Company Value

Based on table 4.17, the sales growth variable has a regression coefficient value of -1.62595 and a probability of 0.1659 > 0.05 which means that sales growth has no effect on the value of the company.

The high rate of sales growth is not capable of affecting the value of the company. This is because the increasing sales growth will make a company's need for funds also increase. Growing companies are more likely to need funds to expand. Therefore, companies with large funding needs will focus more on operational funds than to focus on the welfare of shareholders as an indicator of the company's value. So it can be concluded that the variable of sales growth is not able to become a mechanism that can affect the value of the company. This research is in line with research that sales growth has no effect on company value. (Apriliyanti et al., 2019)

The Effect of Return On Equity on Company Value

Based on table 4.17*, the return on equity* variable has a coefficient value of 3.413439 and a probability of 0.0361 < 0.05 which means that *the return on equity* has a significant positive effect on the value of the company.

Return On Equity can affect the value of a company. Where *ROE* can be interpreted as the ability of a company to make a profit by utilizing existing equity. With a high *ROE*, it will reflect that the profits obtained by the company are also high, so that the company's ability to distribute dividends to shareholders will increase, affecting the company's share price to increase. So it can reflect the company's performance well so that it can attract the attention of investors to invest their capital which has an impact on the company's value increasing(Apriliyanti et al., 2019). So that it can be concluded that the *variable return on equity* has a positive influence that can be a mechanism that can affect the value of the company. This result is in line with research that (Hasania et al., 2016) *return on equity* has a significant positive effect on company value.

Table 5. Influence Between Variables Directly and Indirectly

Influence Between Variables	Sig	Direct Influence	Indirect Influence through *Return On Equity*	Total Influence
IO - PBV	X	-0,54994	-	-
FS - PBV	X	0,084225	-0,06078 x 3,413439 = 2,074689	-0,017098
SG - PBV	X	-1,62595	0,048849 x 3,413439 = 0,166743	0,166743
IO - ROE	X	0,048849	-	-
FS - ROE	V	-0,06078	-	-
SG - ROE	V	0,483286	-	-
ROE - PBV	V	3,413439	-	-

Source: Eviews 10 data processing results, 2020

The Effect of *Return On Equity* in Mediating the Relationship Between Institutional Ownership and Company Value

Based on the results of the study, hypothesis one shows that the results of institutional ownership have no effect *on the return on equity*. Hypothesis seven shows that *return on equity* has a significant positive effect on the value of the company. This shows that return *on equity* is not able to mediate the influence of institutional ownership on the value of the company. Institutional ownership is unable to control a company through effective supervision of decision-making by management. This is because institutional investors are external parties, so they are not directly related to monitoring the company's activities in increasing company profits, so institutional ownership does not participate in decision making. Institutional ownership does not affect the level *of return on equity of* a company. The size of the *return on equity* will not affect the value of the company, because the use of profit information is very limited, so investors do not only see this information but from other information. The higher the disclosure of information made by the company, the smaller the investor's dependence on the profit information. Because investors in investing do not see the size of the profit, the profit does not affect the stock price as an indicator of the value of the company. The results of this study are in line with research conducted by (Zahro, 2017) and research (Assaury & Adriani, 2020) that shows the results that profitability is not able to mediate institutional ownership variables to company value in basic industry & chemicals sector companies listed on the Indonesia Stock Exchange for the 2014-2019 period.

The Effect of *Return On Equity* in Mediating the Relationship Between Company Size and Company Value

Based on the results of the study, hypothesis three states that the size of the company has a significant negative effect *on the return on equity*. The hypothesis of seven *returns on equity* has a significant positive effect on the value of the company. This shows that *return on equity* is able to mediate the influence of company size on company value. Large companies have not been supported by good management from the management because small companies actually have better performance monitoring effectiveness. The larger the size of the company, the greater the costs needed for its operational activities. Therefore, the need for funds needed by the company is getting bigger so that the company's profit will decrease due to the ineffective management of the company with a large size. So that the larger the size of the company, the smaller the *company's return on equity*. With a decrease in the profit obtained by the company, it will cause a decrease in the stock price due to the little interest of investors to invest their shares, so it will have an impact on reducing the value of the company. This result is in accordance with research that has been carried out by (Gunarwati et al., 2020) those who show that profitability variables are able to mediator the influence of company size on company value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2016-2018 period. This result is also in line with the results of research conducted (Auliani, 2022) which shows the results that profitability is able to mediate the influence of the size of the company on the value of the company.

The Effect of *Return On Equity* in Mediating the Relationship Between Sales Growth and Company Value

Based on the results of the study, hypothesis five states that sales growth has a significant positive effect *on return on equity*. The hypothesis of seven *returns on equity* has a significant positive effect on the value of the company. The results of indirect influence show that sales growth gets greater value compared to direct influence. Therefore, *return on equity* is able to mediate sales growth to the value of the company. The results of this study state that increasing sales growth will cause the resulting profit to increase, because the company focuses on an aggressive sales strategy to develop the market because the company can diversify products so that it can attract new market shares. Then the opportunity to increase revenue will also increase and be followed by an increase in profits. High profits give a good signal to investors that the company can reflect good performance so that it can attract the attention of investors to invest its capital which has an impact on the company's value to increase.

CONCLUSIONS

Based on the analysis and discussion that has been carried out, it can be concluded that, Financial performance proxied by *return on equity* is able to mediate the relationship between company size and company value. In addition, *return on equity* has also proven to be able to mediate the relationship between sales growth and company value. Meanwhile, the relationship between institutional ownership and company value cannot be mediated by return *on equity.*

The variableu kuran of the company has a significant negative effect on the *return on equity*;the growth of sales has a significant positive effect on the *return on equity*; *return on equity* has a significant positive effect on the value of the company; While some other variables have not been shown to have a significant effect on dependent variables, these variables consist of: institutional income does not affect the *return on equity*; institutionalepemilikan does not affect the value of the company; uthe company rate does not affect the value of the company;the growth of sales does not affect the value of the company .

The advice that can be conveyedis that the company must always prioritize profitability in the company where it can be a positive signal, consideration for investors in investing, and can increase the value of the company. For investors, investors can pay more attention to other aspects besides the profit from financial statements so that in making investments, they do not only depend on the company's profit but also pay attention to the development of the company. For researchers, they can then add observation periods and add independent variables such as *the investment opportunity set (IOS)* to find out how far the investment opportunity affects the value of the company both directly and through *return on equity*.

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