

## The Influence of Return on Assets (ROA) and Firm Size on Company Value

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### ABSTRACT

This study aims to analyze the influence of Return on Assets (ROA) and firm size on company value, measured using Economic Value Added (EVA), in Islamic banking in Indonesia during the period 2020–2023. The research employs a quantitative approach with multiple linear regression analysis, utilizing secondary data obtained from the annual financial reports of Islamic banking companies that meet the sample criteria. The results indicate that ROA has a positive and significant effect on company value, suggesting that the higher a company's ability to generate profit from its total assets, the greater the economic value added created. Conversely, firm size does not significantly affect company value, indicating that the scale of a company's assets does not directly determine the level of economic value creation. Simultaneously, the variables ROA and firm size significantly influence company value with a coefficient of determination of 50.6%, indicating that these two variables can explain more than half of the variation in company value. These findings have important implications for Islamic banking management to focus strategies on enhancing profitability through efficient asset utilization and to use EVA as a primary indicator in strategic decision-making.

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## **INTRODUCTION**

In a competitive and dynamic business world, company value is one of the important indicators reflecting investors' perceptions of management's success in managing resources and potential future profits. The higher the company value, the greater the investor's confidence in the company to create returns and sustainable growth. Therefore, understanding the factors influencing company value is crucial for both internal management and external stakeholders.

One of the main internal factors affecting company value is financial performance, particularly in the form of profitability measured through Return on Assets (ROA). ROA provides an overview of how effectively management uses the company's assets to generate profits. Various studies have shown that ROA has a positive relationship with company value. Nengsih (2021) found that ROA significantly affects company value in the agricultural sector. Similarly, Ramadhani (2024) in a case study of PT Indofood Sukses Makmur Tbk indicated that financial performance, including ROA, contributes to increasing company value.

In addition to financial performance, firm size is also considered an important determinant of company value. Larger companies tend to have better access to funding sources, more stable market power, and higher credibility in the eyes of investors. Research by Azizah & Widyawati (2020) and Putri, Setiawan & Hafas (2023) shows that firm size significantly influences company value, both individually and in conjunction with other financial performance variables.

However, most previous studies have used market-based indicators of company value such as Price to Book Value (PBV) and Tobin's Q. These indicators are heavily influenced by fluctuating market conditions and do not always reflect the actual economic value creation by the company. Therefore, an alternative approach that is more objective and economic is needed. One approach that has been widely developed in contemporary studies is Economic Value Added (EVA), which measures economic value added after accounting for capital costs.

EVA is considered a more accurate measure of company value because it calculates the difference between operating profit after tax and the company's capital costs. In the research by Fernanda et al. (2024), EVA was used to assess company value and proved relevant in measuring the impact of internal variables such as ROA and firm size on value creation. Additionally, studies by Oktavia et al. (2023) and Zikra & Iramaya (2020) also support the use of EVA as a valid indicator in the context of corporate financial management.

Based on this background, this study aims to test the influence of financial performance (ROA) and firm size on company value using EVA as the primary indicator. This research is expected to expand theoretical and practical understanding of the determinants of company value and contribute to the literature adopting the EVA approach in assessing overall company performance.

## LITERATURE REVIEW

### *Signal Theory*

Signal theory refers to the efforts made by company management to convey information to external parties regarding the company's prospects. This information is considered a signal that provides indications or clues for users of financial reports (Brigham and Houston, 2001).

### *Company Value*

Nengsih (2021) states that company value reflects the level of success in creating wealth for shareholders. Azizah & Widyawati (2020) reveal that company value is the result of market assessment of the company's performance and reputation. Ramadhani (2024) describes company value as a representation of market perception of the economic value possessed by the company. Putri et al. (2023) also emphasize the importance of company value as the ultimate goal achieved in modern corporate management.

### *ROA*

Financial performance is viewed as a reflection of the internal condition of the company. Nengsih (2021) mentions that financial performance reflects the company's ability to generate profits from its assets. Azizah & Widyawati (2020) emphasize that financial performance is one of the important elements in assessing the sustainability of the company's business. Fernanda et al. (2024) use several financial ratios, such as ROA, ROE, and DER, to assess the performance of manufacturing companies. Meanwhile, Ramadhani (2024) states that stable financial performance indicates the company's success in implementing its operational strategies.

### *Firm Size*

Firm size is an indicator of the scale of a company, generally measured by total assets or the natural logarithm of total assets. This size reflects the company's ability to manage resources and its operational stability. Larger companies tend to have broader access to financing, markets, and business opportunities. Several studies, such as those by Nengsih (2021), Azizah (2020), Simarmata and Herawati (2020), and Septiano and Mulyadi (2023), show that firm size influences company value as it can reflect the financial strength and competitiveness of the company in the market.

Return on Assets (ROA) is predicted to have a positive effect on company value measured using Economic Value Added (EVA), as ROA signals to investors regarding management efficiency in managing company assets. This aligns with the findings of Fernanda et al. (2024) and Ramadhani (2024) which indicate that ROA influences company value:

**H1: Return on Assets (ROA) positively influences company value.**

Firm size is predicted to positively influence company value, as larger companies provide signals of stability and greater financial strength to investors. This is supported by the research results of Putri et al. (2023) and Azizah &

Widyawati (2020) which show that firm size significantly influences company value.

**H2: Firm size positively influences company value.**

Return on Assets (ROA) and firm size are suspected to simultaneously positively influence company value, as the combination of financial performance efficiency and large business scale provides positive signals to the market regarding the company's prospects and economic value. Findings from Nengsih (2021) and Putri et al. (2023) support that these two variables together influence company value.

**H3: ROA and firm size simultaneously positively influence company value (EVA).**

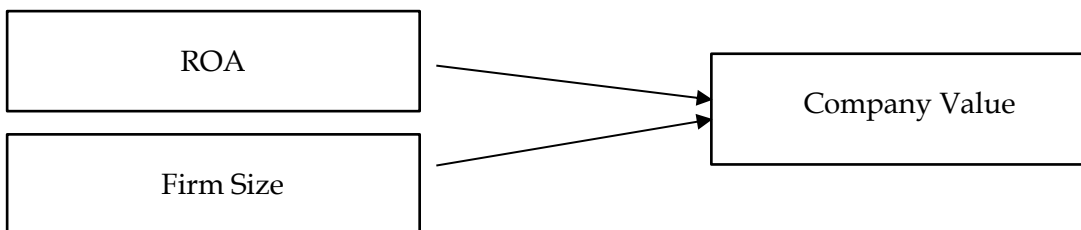


Figure 1. Conceptual Framework

## METHODOLOGY

### 1. Research Method

This study employs a quantitative approach, focusing on testing theories through the measurement of research variables using numerical data and analyzing the data with statistical procedures. The use of a quantitative approach in this research is justified by its reliance on numerical data and statistical analysis procedures as indicators of research variables, allowing research questions to be effectively answered.

### 2. Population and Samples

The population in this study consists of 13 Islamic banking companies listed with the Financial Services Authority (OJK) from 2020 to 2023. The sampling technique used is purposive sampling, which is a method of selecting target groups from the population based on specific criteria deemed most suitable for data collection. This technique is used to simplify the process of obtaining sample data that meets the predetermined criteria, ensuring that the collected data is relevant and accurate for the research.

### 3. Data Analysis Tools

Data analysis in this study is conducted using SPSS software, a statistical tool commonly used for analyzing quantitative data. SPSS is utilized to process and evaluate research data through various statistical procedures to ensure accurate and reliable results in hypothesis testing and achieving research objectives.

#### 4. Variables and Operational Definitions

Table 1. Variables and Operational Definitions

Variable	Type of Variable	Operational Definition	Indicator / Formula
Return on Assets (ROA)	Independent Variable (X <sub>1</sub> )	The company's ability to generate net profit from total assets.	$ROA = (\text{Net Profit} / \text{Total Assets}) \times 100\%$
Firm Size	Independent Variable (X <sub>2</sub> )	Indicates the scale of the company measured by total assets.	$\text{Size} = \text{Ln}(\text{Total Assets})$
Company Value	Dependent Variable (Y)	The economic value added generated by the company after accounting for capital costs.	$EVA = \text{NOPAT} - (\text{Capital} \times \text{WACC})$

Source: Processed Data

### RESEARCH RESULT

#### 1. Overview of Research Objects

The data collected includes information regarding the financial performance of companies, represented by Return on Assets (ROA), as well as firm size typically measured through the natural logarithm of total assets. The dependent variable in this study is company value measured using the Economic Value Added (EVA) approach, which accounts for economic value added after deducting capital costs. EVA is considered to better reflect the real value created by the company as it internalizes the actual capital burden. The research focuses on 13 Islamic banking companies listed with the Financial Services Authority (OJK) during the period 2020 to 2023. With a four-year observation period for each company, a total of 52 observations (13 companies × 4 years) were obtained.

The tables below present the data for ROA, Firm Size, and EVA for the sampled companies.

Table 2. Sample Companies and ROA

No.	Bank Name	ROA			
		2020	2021	2022	2023
1.	PT. Bank Aceh Syariah	1,73	1,87	2	2,05
2.	PT BPD Riau Kepri Syariah	2,54	1,93	2,31	1,33
3.	PT BPD Nusa Tenggara Barat Syariah	1,74	1,64	1,93	2,07
4.	PT. Bank Muamalat Indonesia	0,03	0,02	0,09	0,02
5.	PT. Bank Victoria Syariah	0,16	0,71	0,45	0,68
6.	PT. Bank Jabar Banten Syariah	0,41	0,96	1,14	0,62
7.	PT. Bank Syariah Indonesia, Tbk	1,38	1,61	1,98	2,35
8.	PT. Bank Mega Syariah	1,74	4,08	2,59	1,96
9.	PT. Bank Panin Dubai Syariah, Tbk	0,06	-6,72	1,79	1,62
10.	PT. Bank Syariah Bukopin	0,04	-5,48	-1,27	-7,13
11.	PT. BCA Syariah	1,1	1,1	1,3	1,5
12.	PT. Bank Tabungan Pensiunan Nasional Syariah, Tbk	7,16	10,72	11,43	6,34

No.	Bank Name	ROA			
		2020	2021	2022	2023
13.	PT. Bank Aladin Syariah, Tbk	6,19	-8,81	-10,85	-4,22

Source: Processed Data

From the 13 Islamic banks listed above, PT Bank Tabungan Pensiunan Nasional Syariah, Tbk consistently recorded the highest Return on Assets (ROA) from 2020 to 2022, despite experiencing a decline in 2023. This strong performance indicates effective management in asset utilization and profit generation, supported by a focus on micro-financing, operational efficiency, and targeted digitalization. Muhari, Hosen, and Sanrego (2024) found that BTPN Syariah excels in performance (high ROA, low risk) through a micro-banking approach and social empowerment (social capital) of ultra-micro entrepreneurs, facilitated by financing agents who mentor clients. Putri, Maulana, and Ramayanti (2024) also showed that murabaha financing significantly enhances ROA at BTPN Syariah, primarily through effective management of Non-Performing Financing (NPF), which improves profit margins.

Conversely, Bank Syariah Bukopin exhibited poor ROA due to high NPF and low efficiency (high BOPO), resulting in profits being eroded by operational expenses. Bank Aladin Syariah recorded negative ROA, as it was undergoing a digital transformation phase characterized by low financing volume and significant initial investment, which led to expenses outweighing revenue. Siwi, Triandhari, and Parianom (2024) noted that although digital transformation positively impacts a bank's financial performance, its significant effects – especially on operational efficiency and profitability – typically manifest after two to three years of implementation.

Table 3. Sample Companies and Company Size

No.	Bank Name	Firm Size			
		2020	2021	2022	2023
1.	PT. Bank Aceh Syariah	17,05	17,15	17,17	17,23
2.	PT BPD Riau Kepri Syariah	17,15	17,24	17,26	17,19
3.	PT BPD Nusa Tenggara Barat Syariah	16,16	16,23	16,38	16,47
4.	PT. Bank Muamalat Indonesia	10,84	10,98	11,02	11,11
5.	PT. Bank Victoria Syariah	17,08	17,03	14,56	14,94
6.	PT. Bank Jabar Banten Syariah	22,91	23,06	23,24	23,34
7.	PT. Bank Syariah Indonesia, Tbk	19,29	19,40	19,54	19,68
8.	PT. Bank Mega Syariah	16,60	16,46	16,59	16,49
9.	PT. Bank Panin Dubai Syariah, Tbk	16,24	16,48	16,51	16,67
10.	PT. Bank Syariah Bukopin	15,47	15,64	15,76	15,88
11.	PT. BCA Syariah	9,18	9,27	9,45	9,58
12.	PT. Bank Tabungan Pensiunan Nasional Syariah, Tbk	16,61	16,74	16,87	16,88
13.	PT. Bank Aladin Syariah, Tbk	13,49	14,59	15,37	15,77

Source: Processed Data

Among the 13 Islamic banks listed above, PT Bank Jabar Banten Syariah (BJBS) showed the most positive trend over four consecutive years from 2020 to 2023. This performance is attributed to BJBS's solid financial performance, growing net income, and relatively low increase in operational costs. BJBS also obtained an idAA- credit rating with a stable outlook from PEFINDO, reflecting market and investor confidence. Sharif, Irwanto, and Maulana (2015) noted that BJBS employs an effective and measurable financing risk management system. Their strategic approaches include expanding portfolios into promising industries, tightening borrower feasibility assessments, and strengthening customer character evaluations through scorecards and credit bureau utilization. This risk governance demonstrates maturity and responsiveness to financing risk dynamics.

In contrast, PT BCA Syariah exhibited the weakest trend from 2020 to 2023. This bank did not pursue aggressive expansion of physical branch networks; instead, it adopted a gradual and efficiency-based approach. It employed an organic growth strategy – relying on internal strengths such as customer loyalty, operational cost efficiency, and digital service optimization, rather than through aggressive physical expansion or acquisitions. According to Nurhayati and Sukesti (2016), service quality and customer satisfaction significantly influence customer loyalty in Islamic banks. Thus, BCA Syariah's loyalty-focused strategy may be more effective for long-term growth than aggressive expansion.

Table 4. Sample Companies and EVA

No	Bank Name	EVA			
		2020	2021	2022	2023
1.	PT. Bank Aceh Syariah	327.708.576.627	391.563.890.678	430.662.478.193	436.170.909.015
2.	PT BPD Riau Kepri Syariah	462.423.210.416	380.323.389.588	223.974.638.141	270.576.699.691
3.	PT BPD Nusa Tenggara Barat Syariah	125.695.008.141	133.340.285.771	180.578.373.825	218.781.718.542
4.	PT. Bank Muamalat Indonesia	9.838.027	8.771.634	26.545.423	12.975.554
5.	PT. Bank Victoria Syariah	9.850.588.403	5.095.441.863	5.033.014.385	9.710.615.114
6.	PT. Bank Jabar Banten Syariah	3.800	22.026	100.160.263	57.412.199
7.	PT. Bank Syariah Indonesia, Tbk	2.241.625	3.098.750	4.365.162	5.832.832
8.	PT. Bank Mega Syariah	130.741.560	501.552.716	226.738.318	231.027.015

No	Bank Name	EVA			
		2020	2021	2022	2023
9.	PT. Bank Panin Dubai Syariah, Tbk	-5.470.533	74.326.483	3.260.950	2.991.142
10.	PT. Bank Syariah Bukopin	205.884.216	-352.220.674.295	-103.007.355.176	-566.105.155.409
11.	PT. BCA Syariah	71.223.907.894	85.543.302.388	118.353.240.149	154.555.395.555
12.	PT. Bank Tabungan Pensiunan Nasional Syariah, Tbk	830.809.338.424	1.433.175.812.678	1.750.586.311.586	1.055.345.087.312
13.	PT. Bank Aladin Syariah, Tbk	44.857	-121.236	-266.208	-232.620

Source: Processed Data

Among the 13 Islamic banks, BTPN Syariah emphasizes productive micro-segments and digital technology efficiency, which strengthens profit margins and controls operational costs. Its cost-efficiency and stable micro-business model provide a competitive advantage in generating economic value (Rahmawati & Murwanti, 2023). Sari (2024) confirmed that BTPN Syariah's EVA remained consistently positive from 2020 to 2022, signifying that the bank successfully created added economic value beyond its cost of capital.

Conversely, PT Bank Syariah Bukopin recorded the most significantly negative EVA values. This poor performance results from a combination of high Non-Performing Financing (NPF), low operational efficiency (high BOPO), and weak capital structure (Sapa, Sudirman & Awaluddin, 2022). The bank was also undergoing a suboptimal transformation process following structural integration.

## 2. Multiple Linear Regression Test Results

### a. Normality Test

Table 5. Normality Test

		Unstandardized Residual
N		52
Normal Parameters <sup>a,b</sup>	Mean	-.0000082
	Std. Deviation	267886156995.16530000
Most Extreme Differences	Absolute	0.232
	Positive	0.232
	Negative	-0.127
Test Statistic		0.232
Asymp. Sig. (2-tailed)		0.000 <sup>c</sup>

Source: Processed Data

The normality test was conducted using the One-Sample Kolmogorov-Smirnov test on the unstandardized residuals from the regression analysis. The test was performed on a sample size of 52 observations (N = 52), which represents the total number of data points included in the analysis.

The normal parameters of the unstandardized residuals show a mean value of -0.0000082, which is approximately zero and indicates that the residuals are centered around zero as expected in a well-specified regression model. The standard deviation of the residuals is 267,886,156,995.17, which appears to be a large value, suggesting considerable variability in the residuals.

The Kolmogorov-Smirnov test examines the most extreme differences between the observed and expected normal distribution. The absolute difference is 0.232, which represents the maximum deviation from normality. The positive difference is 0.232, indicating the largest positive deviation from the expected normal distribution, while the negative difference is -0.127, showing the largest negative deviation. The test statistic value of 0.232 is derived from these extreme differences and forms the basis for determining statistical significance.

The asymptotic significance (2-tailed) value is 0.000 ( $p < 0.05$ ), which indicates that the null hypothesis of normal distribution is rejected at the 5% significance level. This result suggests that the residuals are not normally distributed according to the Kolmogorov-Smirnov test.

However, this deviation from normality can be tolerated for several reasons. First, the data used are secondary financial data, which are often naturally non-normal due to high inter-company variability, presence of outliers, and commonly skewed distribution in financial ratios or values. Second, with a sufficiently large sample size (N = 52), parameter estimates remain reliable based on the Central Limit Theorem. Therefore, regression analysis is still valid. In other words, although the residuals are not normally distributed, the distribution of regression coefficients tends to approximate normality given an adequate sample size (generally  $N \geq 30$ ), and thus t-tests and F-tests remain valid for statistical inference.

### **b. Multicollinearity Test**

Table 6. Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	107730606544.047	190666460302.786		0.565	0.575		
x1	69809141742.771	9900083899.731	0.712	7.051	0.000	0.989	1.011
x2	-1358313605.599	11624259001.622	-0.012	-0.117	0.907	0.989	1.011

Source: Processed Data

The multicollinearity test results are presented through the regression coefficients table, which includes collinearity statistics for the independent variables. The constant term has an unstandardized coefficient (B) of 107,730,606,544.047 with a standard error of 190,666,460,302.786, resulting in a t-statistic of 0.565 and a significance value of 0.575, indicating that the constant is not statistically significant.

For the first independent variable (x1), the unstandardized coefficient (B) is 69,809,141,742.771 with a standard error of 9,900,083,899.731. The standardized coefficient (Beta) is 0.712, indicating a strong positive relationship. The t-statistic is 7.051 with a significance value of 0.000, demonstrating that x1 is highly significant in the model. Most importantly for multicollinearity assessment, x1 has a Tolerance value of 0.989 and a VIF (Variance Inflation Factor) of 1.011.

The second independent variable (x2) shows an unstandardized coefficient (B) of -1,358,313,605.599 with a standard error of 11,624,259,001.622. The standardized coefficient (Beta) is -0.012, indicating a weak negative relationship. The t-statistic is -0.117 with a significance value of 0.907, showing that x2 is not statistically significant. For multicollinearity assessment, x2 has a Tolerance value of 0.989 and a VIF of 1.011.

Multicollinearity is analyzed using two key indicators: Tolerance and Variance Inflation Factor (VIF). The results indicate that both independent variables (x1 and x2) have identical Tolerance values of 0.989 and VIF values of 1.011. In general, a model is considered free of multicollinearity if Tolerance is above 0.10 and VIF is below 10. Thus, both variables meet the criteria, and multicollinearity is not a concern in this model.

**c. Heteroscedasticity Test**

Table 7. Heteroscedasticity Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	125109355646.185	122723429814.331		1.019	0.313
x1	7966169056.316	6372238985.793	0.176	1.250	0.217
x2	4148632868.892	7482012995.174	0.078	0.554	0.582

Source: Processed Data

The Glejser test results are presented through regression analysis of absolute residual values against the independent variables. The constant term has an unstandardized coefficient (B) of 125,109,355,646.185 with a standard error of 122,723,429,814.331, resulting in a t-statistic of 1.019 and a significance value of 0.313.

For the first independent variable (x1), the unstandardized coefficient (B) is 7,966,169,056.316 with a standard error of 6,372,238,985.793. The standardized coefficient (Beta) is 0.176, and the t-statistic is 1.250 with a significance value of 0.217.

For the second independent variable (x2), the unstandardized coefficient (B) is 4,148,632,868.892 with a standard error of 7,482,012,995.174. The standardized coefficient (Beta) is 0.078, and the t-statistic is 0.554 with a significance value of 0.582.

The Glejser test was conducted by regressing the absolute residual values against the independent variables. The significance values for both independent variables are above 0.05—specifically, 0.217 for x1 and 0.582 for x2. These p-values indicate that neither independent variable significantly affects the absolute residuals, confirming that heteroscedasticity is not present in this regression model.

**d. Model Summary**

Table 8. Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.711 <sup>a</sup>	.506	.485	273298545311 .14966

Source: Processed Data (SPSS)

The model summary presents four key statistical measures. The correlation coefficient (R) is 0.711, indicating a fairly strong relationship between the independent variables (ROA and company size) and the dependent variable (firm value measured by EVA). This level of correlation suggests that changes in ROA and company size are positively associated with changes in EVA.

The coefficient of determination (R Square) is 0.506, meaning that the regression model is able to explain 50.6% of the variation in firm value. In other words, half of the changes in EVA values in the sampled companies can be explained by variations in ROA and company size.

The Adjusted R Square value is 0.485, which accounts for adjustments based on the number of predictors and sample size. The difference between R Square (0.506) and Adjusted R Square (0.485) is relatively small at 0.021, indicating that the model does not suffer from overfitting and maintains relevant predictive power.

The Standard Error of the Estimate is 273,298,545,311.15, which represents the average distance that the observed values fall from the regression line. This value provides a measure of the accuracy of predictions made by the regression model.

**e. Simultaneous Significance Test (F-Test)**

Table 9. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
<b>Regression</b>	3741606932624990600000000	2	1870803466312495300000000	25.047	0.000 <sup>b</sup>
<b>Residual</b>	3659912648590335700000000	49	74692094869190530000000		
<b>Total</b>	7401519581215326000000000	51			

Source: Processed Data (SPSS)

The ANOVA table presents the results of the F-test to assess the overall significance of the regression model. The regression component shows a Sum of Squares of 3,741,606,932,624,990,600,000,000 with 2 degrees of freedom (df), resulting in a Mean Square of 1,870,803,466,312,495,300,000,000. The residual component has a Sum of Squares of 3,659,912,648,590,335,700,000,000 with 49 degrees of freedom, yielding a Mean Square of 74,692,094,869,190,530,000,000. The total Sum of Squares is 7,401,519,581,215,326,000,000,000 with 51 degrees of freedom.

The F-statistic is calculated as 25.047 by dividing the Mean Square of regression by the Mean Square of residual (1,870,803,466,312,495,300,000,000 ÷ 74,692,094,869,190,530,000,000 = 25.047). The significance level is 0.000, which is far below the 0.05 threshold, indicating that the regression model is statistically

significant overall. This means that jointly, ROA and company size significantly influence firm value (EVA), and the regression model is suitable for analysis as both independent variables cannot be ignored in explaining the variation in EVA.

**f. Partial Significance Test (t-Test)**

Table 10. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	107730606544.153	190666460302.754		0.565	0.575
ROA	69809141742.780	9900083899.729	0.712	7.051	0.000
Size	-1358313605.605	11624259001.620	-0.012	-0.117	0.907

Source: Processed Data (SPSS)

The t-test results examine the individual significance of each variable in the model. The constant term has an unstandardized coefficient (B) of 107,730,606,544.153 with a standard error of 190,666,460,302.754, resulting in a t-statistic of 0.565 and a significance value of 0.575. This indicates that the constant is not statistically significant at the 0.05 level. The t-test results examine the individual significance of each variable in the model. The constant term has an unstandardized coefficient (B) of 107,730,606,544.153 with a standard error of 190,666,460,302.754, resulting in a t-statistic of 0.565 and a significance value of 0.575. This indicates that the constant is not statistically significant at the 0.05 level.

For the ROA variable, the unstandardized coefficient (B) is 69,809,141,742.780 with a standard error of 9,900,083,899.729. The standardized coefficient (Beta) is 0.712, indicating a strong positive relationship. The t-statistic is 7.051 with a significance value of 0.000, which is far below the 0.05 threshold. Therefore, it can be concluded that ROA has a positive and statistically significant effect on firm value.

For the Size variable, the unstandardized coefficient (B) is -1,358,313,605.605 with a standard error of 11,624,259,001.620. The standardized coefficient (Beta) is -0.012, indicating a weak negative relationship. The t-statistic is -0.117 with a significance value of 0.907, which is far above the 0.05 significance threshold. This means that company size does not have a statistically significant effect on EVA.

The analysis shows that ROA has a t-value of 7.051 with a significance level of 0.000, confirming its positive and significant effect on firm value. Meanwhile, company size has a t-value of -0.117 with a significance level of 0.907, indicating no statistically significant effect on EVA. The regression coefficient for ROA is 6.981E+10 (69,809,141,742.780), while for company size it is -1.358E+09 (-1,358,313,605.605). The model's constant of 1.077E+11 (107,730,606,544.153) is not statistically significant, with a significance level of 0.575.

**3. Multiple Linear Regression Equation**

Based on the regression estimation results, the following equation is obtained:

$$EVA = 1,077E+11 + 6,981E+10 (ROA) - 1,358E+09 (Firm Size)$$

This equation explains that every one-unit increase in ROA will increase EVA by 6.981E+10, assuming other variables remain constant. Meanwhile, a one-unit increase in company size would reduce EVA by 1.358E+09, although its effect is not statistically significant.

#### 4. Recap of Hypothesis Testing Results

Table 11. Hypothesis Testing Recap

Hypothesis	Variable	Coefficient	t-value	Sig.	Decision
H <sub>1</sub>	ROA → EVA	6,981E+10	7,051	0,000	Accepted
H <sub>2</sub>	Size → EVA	-1,358E+09	-0,117	0,907	Rejected
H <sub>3</sub>	ROA & Size → EVA			F=25,047; Sig.=0,000	Accepted

Source: Processed Data (SPSS)

Based on the t-test and F-test results, the conclusions for hypothesis testing are as follows:

- a) Hypothesis 1 (H<sub>1</sub>) stating that ROA positively affects EVA is accepted, as it is proven significant at a 0.000 significance level.
- b) Hypothesis 2 (H<sub>2</sub>) stating that company size affects EVA is rejected, since the significance value is 0.907 > 0.05.
- c) Hypothesis 3 (H<sub>3</sub>) stating that ROA and company size simultaneously affect EVA is accepted, based on a significant F-test result.

## DISCUSSION

### The Effect of Return on Assets (ROA) on Firm Value (EVA)

The main finding of this study is that ROA has a significant and positive influence on firm value (EVA). This shows that the higher the company's ability to generate profits from its total assets, the higher the economic value created after deducting the cost of capital. In the context of Islamic banking, this reflects efficient management of third-party funds and effective financing based on Sharia principles. The beta coefficient of 0.712 indicates that ROA is the dominant variable in this model, explaining over 70% of the directional changes in EVA from the total influence of the two independent variables used.

This result aligns with signaling theory, which suggests that financial indicators like ROA serve as positive signals for investors and other stakeholders about managerial performance and long-term prospects. Management capable of efficiently managing assets and generating high profits demonstrates competence, which increases investor confidence and is ultimately reflected in firm value.

Several previous studies also support these findings. Research by Nengsih (2021), Azizah & Widyawati (2020), Fernanda et al. (2024), Ramadhani (2024), Berliani & Riduwan (2017), and Anggriani & Amin (2023) show consistent results that ROA positively affects firm value across various sectors. However, there are differing findings too, such as in the study by Setiawi et al. (2023) showing a negative effect, and Simarmata, O. H., Miftahuddin, M., & Parulian, T. (2020) who found no significant effect – indicating that ROA's influence may be sectoral and dependent on specific company or industry conditions.

### **The Effect of Company Size on Firm Value (EVA)**

In contrast to ROA, company size did not show a significant impact on firm value. Although the regression coefficient is negative, statistically it cannot be concluded that company size affects EVA in the context of Islamic banking during the 2020–2023 period. This suggests that larger companies do not always create higher economic value.

Several factors may explain this. First, the Islamic banking industry in Indonesia is still in its growth and consolidation phase. Large Islamic banks may not yet be fully efficient in managing operational complexities, so scale advantages do not automatically lead to increased economic value. Second, company size usually reflects asset capacity, but not necessarily efficiency in generating profit after capital costs. Since EVA is used as an indicator, the assessment becomes stricter – only firms that provide real added value will have positive EVA.

Previous studies also show mixed results. Some found positive effects (Nengsih, 2021; Putri et al., 2023), while others found negative or insignificant effects (Azizah & Widyawati, 2020; Berliani & Riduwan, 2017; Setiawi et al., 2023; Liswatin & Sumarta, 2022). This suggests that company size is not a universal determinant of firm value and that its influence depends heavily on internal efficiency, capital structure, and industry dynamics.

### **The Simultaneous Effect of ROA and Company Size on EVA**

Simultaneously, ROA and company size are proven to significantly affect firm value, as shown by the significant F-test result. This means that even though company size is not individually significant, its presence in the model alongside ROA still contributes to the variation in EVA. The R Square value of 0.506 indicates that these two variables together can explain about half of the variation in firm value.

ROA serves as the main driver, while company size acts as a supporting variable that may capture other structural aspects not fully observed in this model. In other words, although company size is not a primary determinant, it still contributes to the more complex relationship structure between financial performance and value creation within the company.

### **Comparison of R Square with Previous Research**

Compared to previous studies, the R Square value obtained in this research is relatively high. For instance, Nengsih (2021) reported an R Square of 36.8% in the agriculture sector, and Simarmata et al. (2020) found 31.6% in PT Indofood. The 50.6% value in this study indicates that the model used has better explanatory power, and that EVA as an indicator captures value creation more comprehensively and accurately than conventional indicators such as Tobin's Q or Price to Book Value.

Thus, this research model not only contributes to academic literature but also offers a sharper approach to evaluating firm value, especially in the context of the growing Islamic banking industry in Indonesia.

## **CONCLUSIONS AND RECOMMENDATIONS**

Based on the results of the research conducted, it can be concluded that Return on Assets (ROA) has a positive and significant influence on firm value (Economic Value Added/EVA) in Islamic banking in Indonesia during the period 2020–2023. This indicates that the higher the profitability achieved by the company through efficient asset utilization, the greater the economic value added it can generate. Conversely, firm size does not have a significant effect on EVA, indicating that the total assets or scale of a company are not always the primary factors in determining firm value creation. Nevertheless, simultaneously, ROA and firm size together have a significant effect on firm value, with a coefficient of determination ( $R^2$ ) of 50.6%. This indicates that the model used is able to explain more than half of the variation in firm value in the study sample.

Therefore, corporate strategies should emphasize improving efficiency and productivity of existing assets, and EVA indicators should be considered as key benchmarks for evaluating financial performance. Based on these findings, it is recommended that Islamic banking management focus more on efforts to increase profitability, operational efficiency, and the management of productive assets in order to sustainably enhance firm value. Additionally, management is encouraged to use EVA as one of the key indicators in performance evaluation and strategic decision-making processes. On the other hand, investors, analysts, and other stakeholders should consider EVA and ROA as important bases for investment decisions or for assessing firm performance more holistically, rather than relying solely on firm size or conventional financial indicators.

## **ADVANCED RESEARCH**

Although this study has made an important contribution to explaining the relationship between ROA, firm size, and firm value in the Islamic banking sector, there are several limitations that should be noted as opportunities for future research development.

First, this study only examines two independent variables, which limits the scope of explanation for the factors affecting firm value. Therefore, future research is recommended to include additional relevant variables such as capital structure, operational efficiency (BOPO), risk management, or leverage, in order to provide a more comprehensive and multidimensional understanding.

Second, the quantitative approach used in this study relies on a conventional multiple linear regression model. In the future, the use of dynamic panel data models or estimation methods such as the Generalized Method of Moments (GMM) could be considered to address potential endogeneity issues and improve estimation accuracy.

Third, the scope of this research is limited to the Islamic banking sector. Future studies could expand the scope by comparing results across sectors, for instance with conventional banking or non-bank financial institutions, to determine whether the relationships found are sector-specific or more universal. Fourth, this study uses data up to 2023; hence, it is important to conduct follow-up studies using more recent data, including post-COVID-19 data, to capture the

dynamics of financial performance and firm value in the context of economic recovery.

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