

The Impact of Quick Ratio, Debt to Equity Ratio, Firm Size, and COVID-19 Toward Return on Equity: A Case Study of Tourism, Restaurant, and Hotel Companies Listed on the Indonesia Stock Exchange (IDX)

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Abstract: *The purpose of this study was to determine the Impact of Quick Ratio, Debt to Equity Ratio, Firm Size, and COVID-19 Toward Return on Equity: A Case Study of Tourism, Restaurant, and Hotel Company Listed on Indonesia Stock Exchange (IDX). Based of sampling technique uses purposive sampling so that the sample can be used as much as 27 companies. The type of data used is quantitative data and the data source is the annual reports published on the official website of the Indonesia Stock Exchange. The analytical tools used are descriptive statistics and panel data regression. The results obtained show that (1) Quick Ratio has a positive and no significant impact on Return on Equity. (2) Debt to Equity Ratio has a negative and significant impact on Return on Equity. (3) Firm size has a positive and no significant impact on Return on Equity. (4) COVID-19 has a negative and significant impact on Return on Equity.*

Keywords: *Return on Equity, Quick Ratio, Debt to Equity Ratio, Firm Size, COVID-19*

INTRODUCTION

The importance of measuring the company performance has always been an interesting topic to be discussed. None else than to determine whether or not a company is performing successfully. Furthermore, determining the company's potential to create profitability becomes critical, particularly among investors (Warrad & Oqdeh, 2018). One of the fundamental ways commonly used to measure company performance is to use profitability ratios. The profitability ratio is the ratio used to gauge the company's ability to generate profits within a certain period of time by comparing profit and capital used in operations (Shen et al., 2020).

Ratio which can be used to determine profitability is the return on equity. Return on Equity (ROE) also known as the profitability ratio that used to calculate the efficiency of the use of capital by comparing profit and capital used in operations (Christopoulos et al., 2019). Profitability ratio is very crucial for the firm because a company must be profitable in order to continue to survive. When seen from multiple perspectives, the tourism sector plays an important role in Indonesia. Tourism has contributed a lot to the Gross Domestic Product (GDP) in recent years.

LITERATURE REVIEW

Numerous factors and empirical studies have been conducted to identify the gap that affect the profitability of a company in this case ROE as the dependent variable. Quick Ratio (QR) indicates how much of a company's short-term liabilities are covered by its most liquid current assets (Bolek & Wiliński, 2012). Theoretically, quick ratio as the liquidity measurement has a positive effect toward the return on equity (Achim et al. 2021). Iqbal et al. (2013) put the concern of how leverage does have an effect on profitability. Debt to Equity Ratio (DER) is a ratio that indicates how much of a company's activities are financed by debt versus fully owned money. In theory reveals that a mixture of debt-to-equity has a direct impact on the profitability and is adversely connected with it, implying that an increase in the debt-to-equity ratio results in a drop in profitability (Rehan et al. 2020).

Furthermore, Warrad & Oqdeh (2018) discovered that the firm size supposed to be a key factor in determining a performance of a firm and likely to have a beneficial and positive significant result on profitability. Recently, reflecting to the current situation, COVID-19 has a considerable detrimental influence on the company performance in the world. A pandemic potentially diminished public confidence, resulting in less future investment. Severe business losses will occur as manufacturers and the service industry experience a significant decline in demand. This will result in the closure of numerous firms, as well as a reduction in future investment and profitability (Bloom, 2005).

Signaling Theory

According to Brigham & Houston (2013;471), signaling theory is a theory that explain an action taken by the company to provide clues to investors about how management views the company's prospects. A good firm would intentionally signal the market, and the market is anticipated to be capable of differentiating between high and low performing companies. The quality of a company is exhibited by good corporate governance, which will then offer a signal by giving the financial statements as well as the corporate governance information obtained by the company in a specific timeperiod. Signaling theory analyses the sorts of signals a firm should send to readers of financial reports or which types of information managers should deliver to the company's shareholders. The primary objective of signaling theory is to reduce information asymmetry between two parties (Spence, 2002).

Pecking Order Theory

The Pecking Order Theory is introduced by Donaldson in 1961 which was popularized by Stewart Myers and Nicolas Majluf in 1984 (Allen, 1993).

Based to the pecking order theory, managers prefer the following sources of funding for investment opportunities: first, retained earnings, followed by debt, and finally, equity financing as a last option. The theory of pecking order is associated with the concept of asymmetric information. Asymmetric information, alternatively referred to as information failure, occurs when one party has better knowledge than the other, resulting in an inequality of transaction power. The pecking order theory explains how companies choose how to finance themselves and the impact this would have on the capital structure (Cheruyot & Wahome, 2019). In addition to the pecking order theory, there should be a negative correlation between company debt ratios and profitability in cross-section.

Return on Equity

Profitability ratio is very crucial for the firm because a company must be profitable in order to continue to survive. One of the performance indicators that indicate how much profit each unit of shareholder equity generates (Warrad & Oqdeh, 2018). Profitability play an important influence in shareholders investing decisions. Shen et al., (2020) also stated return on equity is a metric used to determine a company's ability to generate net income based on a specified level of equity. Return on equity also one of the most important indicators of profitability since it represents the return earned on equity funds (Desai & Desai, 2019). During the COVID-19, the pandemic harmed businesses' access to materials on local marketplaces, eroding both firms' profitability and viability (Amnim et al., 2021).

Quick Ratio

The quick ratio (also called the acid test) is one of the form of liquidity ratio. Quick ratio indicates how much of a company's short-term liabilities are covered by its most liquid current assets (Bolek & Wili'nski, 2012). The quick ratio reflects the fact that certain current assets

for example, prepaid expenses, some taxes, and employee-related prepayments represent current period costs that have been paid in advance and cannot typically be converted back to cash. When inventory is illiquid (as indicated by low inventory turnover ratios, for example), the quick ratio may be a more accurate indicator of liquidity than the current ratio (Nimer & Omari, 2015; Rehman, 2016). Additionally, the quick ratio is a more realistic indicator of a business's liquidity condition, as it incorporates defensive assets (receivables and cash items) (Christopoulos et al., 2019; Fleming, 1986). To produce profit, a business need short-term financing to meet day-to-day operational and other obligations. Businesses will be more lucrative if this short-term funding requirement is met by internal resources rather than external loans (R. Ahmad, 2016).

Debt to Equity Ratio

The debt to equity ratio is used to determine the financial leverage of a business. The debt-to-equity ratio can refer to the manner in which a business funds its assets through a combination of equity, debt, hybrid instruments or combination of equity and debt (Cheruyot & Wahome, 2019).

In addition, Akeem et al., (2014) given that the debt to equity ratio compares a firm's debt to the value of its net assets, it is frequently used to determine the extent to which a company is leveraging its assets through debt. A healthy debt-to-equity ratio is critical for maximizing shareholder returns, which has a long-term effect on the firm's share value (Nukala & Rao, 2021). When a large amount of debt is utilized to support growth, a business may create more earnings than it would have generated without the loan. If leverage enhances earnings by more than the cost of the debt (interest), investors should benefit.

Firm Size

According to Malik (2019), firm size is defined by the amount and complexity of production capability and capacity it possesses, as well as the quantity and variety of services it can provide concurrently to its clients. The size of the firm is seen to have an effect on its value since the higher the size or scale of the business, the easier it will be for the business to secure financing, both internally and externally. Thus, as the company's size increases, the company's value increases as well (Warrad & Oqdeh, 2018). In addition, firm size could provide a competitive advantage reflects the fact that larger firms are more efficient than smaller ones (Hawawini et al., 2002).

COVID-19

The virus has wreaked devastation throughout the world since its inception in Wuhan. China, Italy, Spain, France, the United Kingdom, and the United States have all been heavily struck by serious COVID-19 outbreaks. The local outbreak rapidly escalated into a public health emergency, and on March 11, the World Health Organization proclaimed COVID-19 a pandemic (WHO, 2020). The global scope of the trade collapse was largely due to concurrent losses in profitability in a number of countries. As the occurrence of the COVID-19 pandemic

multiplies, a detrimental impact on firm profitability and operational risks appears to be inevitable, as businesses would face significant revenue shortfalls due to a sharp decline in market demands and even temporarily halted operations (Ozili & Arun, 2020). Further, as owners and investors may foresee a worse intensity of profitability decreases in the post-pandemic phase, historical profitability may exacerbate company falls owing to the COVID-19 jolt (Y. Song et al., 2021).

$$DER = \frac{\text{Total Liabilities}}{\text{Shareholders' Equity}}$$

RESEARCH METHODOLOGY

Variable Measurement

This study employs two sorts of variables, namely the dependent variable and independent variable. The dependent variable consist of return on equity and the independent variable consist of quick ratio, debt to equity ratio, firm size, and COVID-19. As for this research uses tourism, restaurant, and hotel companies that are listed on the IDX for the 2019-2021 period. Furthermore, for the variable measurement it can be seen as follows:

Table 1. Variable Measurement

Variable	Specific Variable	Unit
Return on Equity (Y)	$ROE = \frac{\text{Net Income}}{\text{Total Shareholders' Equity}}$	Ratio
Quick Ratio (X1)	$QR = \frac{\text{Cash + Marketable securities} + \text{Account receivables}}{\text{Current Liabilities}}$	Ratio
Debt to Equity Ratio (X2)		Ratio
Firm Size (X3)	$\text{Firm Size} = \ln \times \text{Total Assets}$	Ratio
Covid-19 (X4)	Covid-19 = Before pandemic = 0 During pandemic = 1	Nominal

Population and Research Sampel

Population is a generalization area consisting of application objects that have characteristics by the researcher for conclusion study. The population in this research are all tourism, restaurant and hotel companies listed on the IDX on December 2021 period. The total amount of population is 47 companies The samples in this study are financial and annual reports that consistently have an impact on Return on Equity. Total amount of companies that fulfilled the criteria of sampling are 27 companies.

Types and Sources of Data

The type of data used in this research is quantitative data. Meanwhile, the data source

used in this research is secondary data obtained from the website www.idx.com (Yudaruddin, 2014:13). The data required in this research are including the report of company's net income, total shareholder's equity, cash, marketable securities, account receivables, current liabilities, total liabilities and total assets.

Data Collections Method

The data collection method used in this research is the documentation method. Researcher obtained the data from annual reports and financial reports of tourism, restaurant and hotel companies listed on the IDX for the 2019 – 2021 period.

Methodology

There are two analysis tools used in this research, those are descriptive statistics and panel data regression. Descriptive statistics are used to analyse an event that is currently occurring and occurs in tourism, restaurant and hotel companies listed on the IDX for the 2019-2021 period. Furthermore, panel data regression is used where there are three approach models, namely; CEM, FEM, and REM. From the three models, it can be selected by doing the Chow Test and the Hausman Test (Baltagi, 2005).

Before testing the hypothesis, the Classical Assumption Test is carried out by conducting three tests, namely; Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test.

The models used in this research are as follows:

$$ROE_{i,t} = \alpha + \beta_1 QR_{i,t} + \beta_2 DER_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 COV-19_t + \varepsilon_{i,t}$$

Where :

$ROE_{i,t}$	: Return on Equity of company i at quarter t
α	: Constant
$\beta_1 \dots \beta_4$	: Coefficient
$QR_{i,t}$	: Quick Ratio of company i at quarter t
$DER_{i,t}$	: Debt to Equity Ratio of company i at quarter t
$SIZE_{i,t}$	: Firm Size of company i at quarter t
$COV-19_t$	: COVID-19, at quarter t
$\varepsilon_{i,t}$	: Error term of regression

Furthermore, testing the hypothesis with the F test and t test. The F statistical test is used to determine whether all the independent variables included in the model have a simultaneous influence on the dependent variable. Meanwhile, the t statistical test is to determine how far the influence of one independent variable on the dependent variable by assuming the other independent variables are constant.

RESULT AND DISCUSSION

Research Result

Table 2. Descriptive Statistic

	ROE	QR	DER	SIZE	COVID
Mean	-0.045616	4.300519	0.957330	26.13346	0.636364
Median	-0.018000	0.550000	0.625000	26.82700	1.000000
Maximum	0.152000	139.5940	7.411000	31.05200	1.000000
Minimum	-0.920000	0.008000	0.001000	19.51400	0.000000
Std. Dev.	0.119965	17.91752	1.012026	2.753557	0.481858
Observations	297	297	297	297	297

Source and notes: appendix 4, data processed 2022

Descriptive statistics are used to see an overview of the data used in the form of the amount of data, maximum value, minimum value, average value and standard deviation of each variable. The results of descriptive statistics show that SIZE and COVID have mean above the standard deviation, while ROE, QR, DER have a mean below the standard deviation.

Model Selection

Models using panel data regression techniques can use three alternative approaches to processing methods. The selection of the best model from panel data regression starts from testing the Chow test output using the EViews Version 10 tool.

The Chow test is used to select the best model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) in panel data regression. CEM will be chosen if the p-value is greater than 0.05, whereas if the p-value is smaller than 0.05 then FEM will be chosen.

The results of the chow test are as follows:

Table 3. Chow Test

Effects Test	Statistic	Prob
Cross-section F	5.961405	0.0000
Cross-section Chi-square	136.361104	0.0000

Source and notes: appendix 5, data processed 2022

Based on the table above, it can be seen that the F test value is significant at 0.0000 and the Chi-square value is also significant at 0.0000 which is smaller than 0.05. This means that the H_0 is rejected, therefore the FEM method is better than CEM. Furthermore, the Hausman Test is used to select between the Fixed Effect Model (FEM) and the Random Effect Model (REM) in panel data regression. If the p-value is greater than 0.05 then the selected model is REM, whereas if the p-value is less than 0.05 then the selected model is FEM. The results of the Hausman test are:

Table 4. Hausmann Test

Test Summary	Chi Sq. Statistic	Prob
Cross-section random	21.156112	0.0003

Source and notes: appendix 6, data processed 2022

Based on the results of the Hausman test above, it can be seen that the p- value is 0.0003 which is lower than 0.05. Thus, the H_0 is rejected, therefore the use of a better method in this study is the REM method compared to FEM. The low value of R-square in the REM model, the researchers chose to use the FEM model.

Classic Assumption Test

Classic assumption test in this study is using multicollinearity test, heteroscedasticity test and autocorrelation test. The multicollinearity test can be done by using the VIF (Variance Inflation Factor) test. If the VIF value is greater than 10 then there is multicollinearity in the independent variables.

The results of the VIF test can be seen in the following table.

Table 5. Multicollinearity Test

Variable	Centered VIF
QR	1.054201
DER	1.058263
SIZE	1.008111
COVID	1.022202

From the table above *Source and notes: appendix 10, data processed 2022* variables have results less than 10, therefore it can be concluded that the panel data model in this study does not have multicollinearity problems.

Furthermore, testing the assumption of heteroscedasticity as can be done with the Breusch-Pagan-Godfrey test. The test results can be seen as follows:

Table 6. Heteroscedasticity Test

Breusch-Pagan-Godfrey		
Obs*R-squared	Prob. Chi-Square (4)	0.0003

Source and notes: appendix 11, data processed 2022

Based on the results of the heteroscedasticity test above, it can be seen that the probability value of Obs*R-squared is 0.0003 which is lower than 0.05, therefore the H_0 is accepted. From this, it can be concluded that there is a heteroscedasticity. Furthermore, the autocorrelation test is carried out with the Durbin-Watson test. The results can be seen from the following table:

Table 7. Autocorrelation Test

Durbin-Watson	
Durbin-Watson stat	1.426034

Source and notes: appendix 12, data processed 2022

From the results of the autocorrelation test in the table above, the DW value generated

from the regression model is 1.426034. The Durbin Watson value lies between $-2 < DW < 2$ indicating that there is no autocorrelation problem in the research model. Therefore, it can be concluded that the regression model in this study has been free from the problem of autocorrelation.

Regression Results and Hypothesis Testing

Table 8. Results of Panel Data Regression Analysis on Quick Ratio (QR), Debt to Equity Ratio (DER), Firm Size (SIZE), and COVID-19 (COVID)

Dependent Variable	Independent Variable	Regression Coefficient	t-stat	Prob.	Way	Des.
ROE	Constanta	-2.120938	-1.372947	0.1709		
	QR	0.000437	0.753923	0.4516	(+)	Insignificant
	DER	-0.118607	-9.825929	0.0000	(-)	Significant
	SIZE	0.085006	1.439562	0.1512	(+)	Insignificant
	COVID	-0.054246	-5.257603	0.0000	(-)	Significant
R-Squared		0.603023				
Adjusted R-Square		0.558251				
F-Statistic		13.46881				
F Significant		0.000000				

In that the dependent variable (ROE) can be influenced by 60.30 percent by the independent variable (QR, DER, SIZE, and COVID), while the remaining 39.70 percent is explained by other variables not included in this research model.

The results of panel data regression testing show that the F statistical value is 13.46881, with the same significance value (F significant), which is 0.000000 which is smaller than 0.05 ($0.0000 < 0.05$), then it is decided that H_0 is rejected.

These results explain that the independent variables used in this study are QR, DER, SIZE and COVID simultaneously or have a simultaneous effect on ROE in the IDX sample tourism, hotel and restaurant companies for the 2019-2021 period and have shown a feasible model.

In the t-test, the QR (X1) variable has a t-count value of 0.753923 and a probability level of $0.4516 > 0.05$, which means that partially the variable has a positive and insignificant impact toward ROE. The DER (X2) variable has a t-count value of -9.825929 and a probability level of $0.0000 < 0.05$, which means that the variable has a negative and significant impact toward ROE.

The SIZE (X3) variable has a t-count value of 1.439562 and a probability level of $0.1512 > 0.05$, which means that partially the variable has a positive and insignificant impact toward ROE. The COVID (X4) variable has a t-count value of -5.257603 and a probability level of

$0.0000 < 0.05$, which means that the variable has a negative and significant impact toward ROE, at a significant level of 5%.

$$\text{ROE} = - 2.120938 + 0.000437\text{QR} - 0.118607\text{DER} + 0.085006\text{SIZE} - 0.054246\text{COVID} + e$$

1. The Impact of Quick Ratio Toward Return on Equity

Based on the researcher's test result, it shows that the QR value is 0.000437 with a significance level of $0.4516 > 0.05$. The regression model generated from this analysis means that the QR variable has a positive and insignificant impact toward ROE (Hypothesis 1 is rejected)

2. The Impact of Debt to Equity Ratio Toward Return on Equity

The results of this research showed that the DER value is -0.118607 with a significance level of $0.0000 < 0.05$. The regression model generated from this analysis means that the DER variable has negative and significant impact toward ROE (Hypothesis 2 is accepted).

3. The Impact of Firm Size Toward Return on Equity

Based on the researcher's test result, it shows that the SIZE value is 0.085006 with a significance level of $0.1512 > 0.05$.

The regression model generated from this analysis means that the SIZE variable has a positive and insignificant impact toward ROE (Hypothesis 3 is rejected).

4. The Impact of Covid-19 Toward Return on Equity

The results of this research showed that the COVID value is -0.054246 with a significance level of $0.0000 < 0.05$. The regression model generated from this analysis means that the COVID variable has negative and significant impact toward ROE (Hypothesis 4 is accepted).

Table 9. Hypothesis Testing Result

Hypothesis	Statement	Result
Hypothesis 1	The Quick Ratio is positively correlated toward Return on Equity	Rejected
Hypothesis 2	The Debt-to Equity Ratio is negatively correlated toward Return on Equity	Accepted
Hypothesis 3	The Firm Size is positively correlated toward Return on Equity	Rejected
Hypothesis 4	The Covid-19 is negatively correlated toward Return on Equity	Accepted

Discussion

1. The Impact of Quick Ratio Toward Return on Equity

Based on the results of this study indicate that QR has a positive and insignificant impact toward ROE in tourism, hotel and restaurant companies in Indonesia. The results of this study differ from the hypothesis which states that QR has a positive and significant effect. The results of this study are not in line with the research conducted by Dahiyat, (2016) who found significant negative results in their study. This research argues that insufficient or excessive liquidity may be detrimental to operational easing; if liquidity is excessive, the company may not be utilizing its current assets effectively. Liquidity is theoretically essential to the success of any business. A business must maintain a certain level of liquidity in order to survive. It should neither be excessive nor inadequate. Having excessive liquidity is equivalent to acquiring optimal funds. Resulting in decreased profitability, increased speculation, and unnecessary extension. While inadequate liquidity leads to business inefficiency.

On the other hand, this research align with the previous studies that had been done by Ajantan, (2013), Rehman, (2016), Hossain & Alam, (2019), and Achim et al., (2021), all these research are positively insignificant toward ROE. Liquidity management is essential for any business since it requires meeting the firm's current responsibilities, which comprise operations and financial obligations with a relatively short duration but which accrue over time.

The extent and reliability of the observed coefficient for the quick ratio speak to the importance of liquidity in determining the influence of company performance on financial performance but not in a detrimental way. As a positive signal for the company, a high liquidity level can attract investors. It is fiscally sound and carries minimal risk. Liquidity is the availability of funds should they be required at any time. Additionally, liquidity measures cash and cash equivalents for meeting short-term obligations. Consequently, firm managers should be concerned with inventory and receivables in order to generate shareholder wealth.

The insignificant result discovered by the researchers indicates that an increase in QR has

no effect on the ROE of a company, and vice versa. The purpose of liquidity is to facilitate daily business operations. From this liquidity, businesses can produce high-quality goods and services for consumers, but the supply exceeds the demand, especially during the COVID-19 pandemic. This will subsequently have an effect on the company's profitability. In addition, high or low levels of liquidity do not send a positive or negative signal considering the prevailing pandemic conditions. Even though the firm's liquidity is healthy, it will not attract investors.

2. The Impact of Debt to Equity Ratio Toward Return on Equity

The results obtained by the researcher show that DER has negative and significant impact toward ROE. It means that hypothesis is accepted. In line with the hypothesis, the results of this study are in line with the research conducted by Goddard et al., (2006), Iqbal et al. (2013), and Achim et al. (2021) which also found a negative and significant impact toward ROE. The leverage ratio is inversely proportional to a company's profitability, according to these studies. This suggests that firms with a higher level of leverage or debt financing will earn lower profits than firms with a lower level of leverage (Iqbal et al., 2013). In other words, profitable businesses have little leverage, whereas unprofitable businesses have a lot of leverage.

If this does not occur, and the firm's manager does not manage it well, it is reasonable to predict that the capital structure will harm the firm's growth and profitability. As a result, the company fell deeper into debt and eventually declared bankruptcy. A debt-to-equity ratio has a direct impact on profitability and is negatively related to it, implying that an increase in the debt-to-equity ratio results in a drop in profitability. The pecking order theory acknowledges how corporations decide how to fund themselves and how this affects the capital structure (Cheruyot & Wahome, 2019). There should be a negative correlation in cross-section between company debt ratios and profitability, in addition to the pecking order theory. It's a juxtaposition to the fixed-capital models. Leverage and previous profitability metrics have been shown in a similar study to have a significant negative cross-sectional relationship (Allen, 1993). In contrast to the research conducted by U. Iqbal & Usman, (2018) who found positive and significant result, followed by Basit & Hassan (2017) and Tailab (2017), leverage positive but not significantly associated with firm's profitability.

In addition to the pecking order theory, the cross-sectional relationship between firm debt ratios and profitability should be negative. With models of fixed capital structures, this structure is variable. Similar research demonstrates a substantial negative cross-sectional link between leverage and previous profitability measurements. Companies with a high debt-to-equity ratio are risky and unable to generate a high profit; therefore, a manager should prioritize equity by avoiding an excessive reliance on debt financing (Samo & Murad, 2019). The relationship between financial leverage and profitability is negative because as the debt ratio rises, the firm's performance falls; conversely, as the debt ratio falls, the firm's

performance rises. The worse a company's performance in terms of shareholder equity is the more debt capital it uses to finance its operations (Achim et al., 2021).

3. The Impact of Firm Size Toward Return on Equity

Based on the results of this study indicate that SIZE has a positive and insignificant impact toward ROE in tourism, hotel and restaurant companies in Indonesia. The results of this study differ from the hypothesis which states that SIZE has a positive and significant effect. The results of this study are not in line with the research conducted by Goddard et al., (2006) and Li & Hwang (2011) that found firm size are negatively significant with ROE, As the firm attempts to infringe on their market dominance, expanding within an existing market may result in increased competition from competitors. Regulators could make it more difficult for businesses to grow horizontally and vertically, lowering profits. Correspondingly with the prior research, Kasasbeh (2021), Abubakar (2021) and, Li et al., (2021) stated that the firm size has big influence toward company profitability that measured by return on equity.

To increase profitability, a company's resource expenditures must be greater than its earnings or yields. The distinction between the two is profitability. Furthermore, the firm's operating costs must be kept as low as possible. However, it must charge a premium and sell a large quantity of stock (Abubakar, 2021). Moreover, bigger companies prioritize cost reduction, incentives, and doubling the profitability of their assets (Basdekis & Lyras, 2020). In terms of return on equity, the consolidation of an entity's economic performance is also helped by the size of the firm. There is a strong link between the size of an entity and a company's success, which helps improve return on equity (Achim et al., 2021).

Firm size is a measurement of a company's size as determined by its total assets. The greater a company's possession of a substance, the greater its industrial capacity. The greater a company's size, the greater its operating activities, which, if they increase, will have an effect on the company's profits, which, in turn, will have an effect on the company's profitability. The greater a company's total assets, the more effectively it can invest and meet customer demand. This can increase the company's market share and influence its profitability.

4. The Impact of Covid-19 Toward Return on Equity

The results obtained by the researcher show that COVID has negative and significant impact toward ROE. It means that hypothesis is accepted. In line with the hypothesis. the results of this study are in line with the research conducted by Shen et al., (2020) and Amnim et al., (2021) which also found a negative and significant impact toward ROE. A pandemic could have diminished public confidence, thereby reducing future investment. As a result of a significant decline in demand, manufacturers and the service industry will suffer severe economic losses. This will lead to the closure of a number of businesses and a decline in future

investment and profitability (Bloom, 2005).

On the contrary, Li et al (2021) found that not all the sector are highly impacted because of COVID-19 in China industry. The company's profitability rises as it diversifies its revenue streams away from interest income and generates a positive impact despite a dire circumstance. Access to materials on local marketplaces was affected by the pandemic, diminishing both firms' profitability and viability (Amnim et al., 2021). In this case, the gap between pre- and post-pandemic profitability may be greater for a business that was profitable before the pandemic (H. J. Song et al., 2021).

CONCLUSION

Based on the results of the research and discussion that has been explained in the previous chapters, therefore it can be concluded as follows:

1. Based on the results of the study, it shows that the quick ratio has a positive and insignificant impact toward return on equity. The results of this study reject hypothesis 1. The insignificant result discovered by the researchers indicates that an increase in QR has no effect on the ROE of a company, and vice versa. The purpose of liquidity is to facilitate daily business operations. From this liquidity, businesses can produce high-quality goods and services for consumers, but the supply exceeds the demand, especially during the COVID-19 pandemic. This will subsequently have an effect on the company's profitability. In addition, high or low levels of liquidity do not send a positive or negative signal considering the prevailing pandemic conditions. Even though the firm's liquidity is healthy, it will not attract investors.
2. Debt to equity ratio variable has negative and significant impact toward return on equity. The results of this study accept hypothesis 2 because The linkage between financial leverage and profitability is negative because as the debt ratio rises, so does the firm's performance; conversely, as the debt ratio diminishes, so does the firm's performance increases. Companies with a high debt-to-equity ratio are risky and unable to generate a high profit; therefore, a manager should prioritize equity by avoiding an excessive reliance on debt financing.
3. The results of the research show that firm size has a positive and insignificant impact toward return on equity. This result rejects hypothesis 3 The insignificant result discovered in this study indicates that firm size has no bearing on the rise and fall of the company's ROE. An increase in total assets does not necessarily result in a rise in ROE, and vice versa. Whether a company's total assets are large or small has no bearing on its ROE. Some businesses have high total assets but low ROE. There are also businesses with a high total asset base and a high ROE.
4. This study shows that the COVID-19 has a negative and significant impact toward return on equity. The results of this study accept hypothesis 4 because a pandemic potentially

diminished public confidence, resulting in less future investment. Severe business losses will occur as manufacturers and the service industry experience a significant decline in demand. This will result in the closure of numerous firms, as well as a reduction in future investment and profitability.

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