

The Influence of Revenue Growth and Operating Expenses on Company Value

Revenue Growth and
Operating Expenses

Amin Hou

Universitas Mahkota Tricom Unggul; Medan, Indonesia

E-Mail: aminh0951@gmail.com

1827

Deva Djohan

Institut Bisnis Informasi Teknologi dan Bisnis; Medan, Indonesia

Duffin

Institut Bisnis Informasi Teknologi dan Bisnis; Medan, Indonesia

Submitted:
FEBRUARY 2025

Septa Diana Nabella

Universitas Ibnu Sina; Batam, Indonesia

Accepted:
MAY 2025

Adi Harianto

Institut Bisnis Informasi Teknologi dan Bisnis; Medan, Indonesia

ABSTRACT

This study aims to build a model of insurance company value based on revenue growth and operating expenses with Return on Equity (ROE) as a mediating variable. The study was conducted on six insurance companies listed on the IDX during the period 2020–2024 with a quantitative approach using SEM-PLS. The background of the study is the fluctuation of financial performance, especially the mismatch between revenue growth and equity efficiency and firm value. The results of the analysis show that revenue growth has a significant positive effect on firm value, both directly and through ROE. Conversely, operating expenses have a significant negative effect on firm value and are also mediated by ROE. ROE is proven to be a significant mediating variable in this relationship. The coefficient of determination (R^2) value of 0.982 for firm value indicates that the model has a very strong ability to explain the variance of firm value. Meanwhile, R^2 for ROE of 0.566 indicates a moderate influence of the two independent variables. This study emphasizes the importance of increasing revenue and operational efficiency as a strategy to strengthen firm value and investor confidence.

Keywords: Firm Value, Insurance Companies, Operating Expenses, Return on Equity (ROE), Revenue Growth.

ABSTRAK

Penelitian ini bertujuan membangun model nilai perusahaan asuransi berdasarkan pertumbuhan pendapatan dan beban operasional dengan Return on Equity (ROE) sebagai variabel mediasi. Studi dilakukan pada enam perusahaan asuransi yang terdaftar di BEI selama periode 2020–2024 dengan pendekatan kuantitatif menggunakan SEM-PLS. Latar belakang penelitian adalah fluktuasi kinerja keuangan, terutama ketidaksesuaian antara pertumbuhan pendapatan dengan efisiensi ekuitas dan nilai perusahaan. Hasil analisis menunjukkan bahwa pertumbuhan pendapatan berpengaruh positif signifikan terhadap nilai perusahaan, baik secara langsung maupun melalui ROE. Sebaliknya, beban operasional berpengaruh negatif signifikan terhadap nilai perusahaan dan juga dimediasi oleh ROE. ROE terbukti sebagai variabel mediasi yang signifikan dalam hubungan ini. Nilai koefisien determinasi (R^2) sebesar 0,982 untuk nilai perusahaan menunjukkan bahwa model memiliki kemampuan sangat kuat dalam menjelaskan varians nilai

JIMKES

Jurnal Ilmiah Manajemen
Kesatuan
Vol. 13 No. 3, 2025
pp. 1827-1838
IBI Kesatuan
ISSN 2337 – 7860
E-ISSN 2721 – 169X
DOI: 10.37641/jimkes.v13i3.3312

perusahaan. Sementara itu, R^2 untuk ROE sebesar 0,566 menunjukkan pengaruh moderat dari dua variabel bebas. Penelitian ini menegaskan pentingnya peningkatan pendapatan dan efisiensi operasional sebagai strategi memperkuat nilai perusahaan dan kepercayaan investor.

Kata kunci: Biaya Operasional, Nilai Perusahaan, Pengembalian Ekuitas (ROE), Perusahaan Asuransi, Pertumbuhan Pendapatan.

INTRODUCTION

The insurance sector in Indonesia has experienced consistent growth over the past few years (Iswahyudi et al., 2023). As per information from the Financial Services Authority (*Otoritas Jasa Keuangan/OJK*), by the conclusion of 2022, there existed 136 insurance firms with licenses to function in Indonesia. This includes 52 firms focused on life insurance, 72 dedicated to general insurance, 7 involved in reinsurance, and 5 that specialize in social and obligatory insurance (Putri & Oktrima, 2024). The rise in the number of firms signifies a heightened public consciousness regarding the significance of insurance coverage and the substantial market opportunities present in Indonesia (Darnia et al., 20023). Insurance companies have a strategic role in the national financial system. Their existence not only protects individuals and business entities from financial risks, but also supports economic stability and encourages long-term investment growth (Tommaso & Mazzuca, 2023; Labini et al., 2025). Funds managed by insurance companies can be allocated to productive instruments such as bonds, stocks, and the real sector, which contribute to the financing of development (Goh et al., 2025). Therefore, the sustainability and financial performance of insurance companies have a wide impact on the country's economic resilience.

Nevertheless, the financial outcomes of the insurance sector on the IDX continue to encounter difficulties, particularly evident in the drop in Return on Equity (ROE), which serves as a measure of the firm's effectiveness in producing earnings from its own funds (Ismayanti & Triyanto, 2024; Cindy et al., 2024). Data from the Indonesian General Insurance Association (*Asosiasi Asuransi Umum Indonesia/AAUI*) shows that the ROE of general insurance companies decreased from 3.15% in the first quarter of 2023 to 2.54% in the first quarter of 2024 (Lumenta & MY, 2024). This decline indicates problems in the company's internal management, especially in maximizing revenue and expense efficiency (Ismanto & Rosini, 2023). The first problem lies in income growth. Although the industry is expanding, not all insurance companies have managed to increase their revenue significantly (Bohnert et al., 2015). This can be caused by fierce competition, lack of product innovation, and not optimal marketing strategies (Lazoğlu & Karabey, 2025). Revenue that does not grow consistently will have a direct impact on the company's low ability to increase profitability.

Second, the operating expenses of insurance companies tend to increase every year. High operational costs, such as claims, marketing, and administrative costs, can erode profit margins (Handayani et al., 2023). Uncontrolled operational expenses will worsen efficiency and ultimately lower the level of ROE and company value in the eyes of investors. Third, ROE as a mediating variable also shows instability. Many insurers have large equity, but they are not offset by adequate net profit (Lestari et al., 2023; Ahmed et al., 2024). This shows that efficiency in utilizing capital is not optimal, and can be an obstacle to increasing the company's value (Duong, 2025).

Fourth, the value of a company, which is reflected in stock prices, market ratios, and investor perceptions, does not always reflect fundamental performance. Many factors affect it, including industry risk perception, macroeconomic conditions, and financial statement transparency (Jahan-Pavar & Lang, 2024). Declining ROE and inconsistent growth could lead to a decline in market confidence in the company's long-term prospects (Wu et al., 2024). Although the Indonesian insurance sector has experienced growth in the number of companies financial performance—especially Return on Equity (ROE)—still shows a decline (Darnia et al., 2023; Putri & Oktrima, 2024). Most of the studies by

Ismanto and Rosini (2023) and Ismayanti and Triyanto (2024) examine the simultaneous effect of revenue growth and operating expenses on company value with ROE as a mediating variable. Therefore, this study aims to analyze the direct and indirect effects of revenue growth and operating expenses on the value of insurance companies on the IDX for the 2020–2024 period, with ROE as a mediating variable in the structural model.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of Revenue Growth, Company Value and Return on Equity

Revenue growth is an important performance indicator that describes a company's ability to increase revenue sustainably over time. According to Cheng et al. (2024), revenue growth reflects the effectiveness of a company's sales strategy and business expansion. The higher the revenue growth, the more it shows that the company is able to expand its market share and increase its sales value. Yuni and Hutabarat (2021) explain that revenue growth can be measured by the percentage change in revenue from the previous year. This indicator is important for investors because it indicates the potential for future profits and long-term business stability. Company value shows investors' perceptions of the company's long-term prospects and its ability to create added value for shareholders. One commonly used measure of company value is Price to Book Value (PBV), which measures the comparison between the market value of shares and the book value of the company (Hidayat & Tasliyah, 2022). Ismayanti and Triyanto (2024) state that the higher the PBV, the greater investors' expectations of the company's performance and growth. Therefore, high revenue growth can increase investor confidence and have a positive impact on company value. Revenue growth also has the potential to affect Return on Equity (ROE), which is a ratio that measures a company's ability to generate profits from its own capital. High ROE reflects management's efficiency in utilizing equity to create profits. With increasing revenue, companies have the opportunity to earn greater profits, which will ultimately increase ROE.

H1: Revenue growth has a significant effect on company value.

H2: Revenue growth has a significant effect on return on equity.

The Effect of Operating Expenses, Company Value and Return on Equity

Operating expenses are all costs arising from the company's core activities, such as employee salaries, administrative costs, marketing, and logistics. According to Cindy et al. (2024) this expense reflects the level of operational efficiency of a business entity in carrying out daily activities. High operational efficiency is characterized by controlled expenses but still able to support the company's productivity. Nursya'adah (2020) emphasized that the ratio between operating expenses and revenue is an important indicator in assessing cost efficiency. A high ratio indicates that the proportion of costs to revenue is too large, which can reduce the company's profits. Conversely, a low ratio reflects efficient cost management and has a positive impact on profitability. Company value is a reflection of investor perceptions of a company's performance and long-term prospects. One commonly used measure is Price to Book Value (PBV), which is the ratio between the market value of shares and the book value of the company (Hidayat & Tasliyah, 2022). Ismayanti and Triyanto (2024) stated that PBV can reflect investor expectations of company growth and management effectiveness in creating added value. Operating expenses also affect Return on Equity (ROE), which is a profitability ratio that shows how much profit is generated on equity.

H3: Operating expenses have a significant effect on company value.

H4: Operating expenses have a significant effect on return on equity.

The Effect of Return on Equity

Return on Equity (ROE) is a profitability ratio that shows a company's ability to generate profits from capital invested by shareholders. ROE is an important indicator for

investors because it reflects management's efficiency in managing equity to generate profits. Indriyani (2017) states that ROE is calculated by comparing net profit to total equity, while Sulistyanto (2008) adds that the higher the ROE value, the more effective the company is in utilizing its capital to create profits. Therefore, ROE not only measures financial performance but also becomes a benchmark for managerial success that influences investment decisions. Company value reflects market perception of a company's long-term performance and growth prospects. The measure often used to assess company value is Price to Book Value (PBV), which is the comparison between the stock market price and the company's book value (Hidayat & Tasliyah, 2022). Ismayanti and Triyanto (2024) explain that a high PBV indicates that investors consider the company to have growth potential and good management performance. High ROE tends to increase investor interest, thus having a positive impact on increasing the company's market value and PBV. Furthermore, ROE also acts as a mediating variable in the relationship between revenue growth and company value, as well as between operational expenses and company value. High revenue growth or good operational efficiency will increase profits, which are ultimately reflected in increased ROE. Strong ROE can then drive increased company value.

- H5: Return on equity has a significant effect on company value.
- H6: Return on equity mediates revenue growth to company value.
- H7: Return on equity mediates operational to company value.

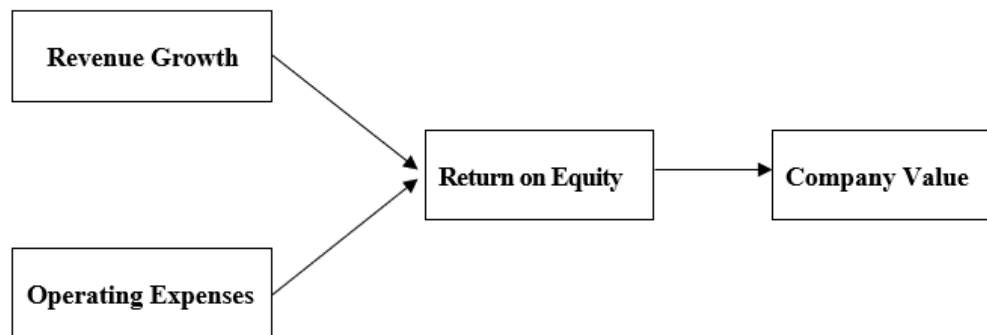


Figure 1. Research Framework

This study examines the relationship between four main variables that can be seen in Figure 1, namely revenue growth, operating expenses, return on equity as a mediating variable, and firm value. Revenue Growth is assumed to have a positive relationship with Firm Value, both directly and through Return on Equity. The higher the revenue growth, the greater the company's ability to generate profits and increase market confidence (Hormati et al., 2023). Operating Expenses are assumed to have a negative relationship with Firm Value. High operating expenses can reduce profit margins and reduce management efficiency in managing finances (Permana et al., 2024). Return on Equity (ROE) acts as a mediating variable that bridges the relationship between revenue growth and operating expenses on firm value. ROE reflects the efficiency of equity management in creating profits. A company can post high revenues, but if operating expenses are not controlled, ROE remains low so that it does not have a significant impact on the value of the Company. Firm Value is ultimately influenced by a combination of the above factors. In the context of capital markets, the value of a company is determined not only by profit or revenue growth, but also by the efficiency of capital management, cost structure, and market perception of the sustainability of the company's performance (Rinati, 2008). When ROE increases consistently as a result of operational efficiency and stable revenue growth Hasania (2016), the value of the company tends to increase as reflected in an increase in indicators such as PBV or stock prices in the market.

RESEARCH METHOD

This study uses a quantitative approach with an explanatory associative design to explain the relationship between revenue growth, operating costs, Return on Equity (ROE), and company value in insurance companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2024. The data used in this study are secondary data obtained from the company's annual financial reports available on the official IDX website and financial reports published by each insurance company. The sampling technique uses a purposive sampling method with the following criteria insurance companies that are consistently listed on the IDX during the study period, companies that have complete data related to all variables studied, and companies that publish audited annual financial reports. Based on these criteria, six insurance companies were obtained as research samples.

This method is used to ensure that the data collected is relevant and can be used to analyze the relationship between research variables. To analyze the relationship between variables, the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method is used. The use of SEM-PLS is based on the recommendation of Wiyono (2011) and Latan and Ghozali (2016), because this method is suitable for models involving mediating variables and is suitable for data that is not normally distributed. SEM-PLS in this study is used to test the direct and indirect effects of revenue growth (X1) and operating costs (X2) on firm value (Y), with ROE (Z) as a mediating variable.

Evaluation of the measurement model (outer model) is carried out through testing the outer loading, construct reliability using Cronbach's Alpha, rho_A, and Composite Reliability, and construct validity with Average Variance Extracted (AVE). Meanwhile, evaluation of the structural model (inner model) includes testing the relationship between variables using t-statistics and p-values, as well as the coefficient of determination (R²) to measure how much the model can explain the dependent variable. Data processing is carried out using WarpPLS 5.0 software to ensure accurate and in-depth analysis. This methodology provides a comprehensive understanding of the influence of financial performance on firm value, as well as providing theoretical contributions and practical implications in managerial decision making in the insurance sector.

RESULTS

Financial data from six insurance companies listed on the Indonesia Stock Exchange during the 2020–2024 period showed dynamics that reflected post-pandemic recovery. The indicators observed included profit growth, operating expense ratio, Return on Equity (ROE), and company value. Overall, there was a significant increase in financial performance in 2022. This was reflected in the soaring ROE and net profit margin, indicating operational efficiency and increased profitability after the economic pressures caused by the COVID-19 pandemic. One company recorded the highest ROE in 2022, despite previously experiencing a sharp decline in 2021. This condition shows the company's ability to recover and optimize the use of equity in generating profits. Meanwhile, the company's value generally showed a moderate increase throughout the observation period. This reflects the continued positive perception and investor confidence in the insurance industry, even though this sector was affected by global economic uncertainty. Increased efficiency, especially in managing operational expenses, is a major supporting factor in rebuilding performance and investment attractiveness.

Table 1. IDX for the 2020–2024 Period (Percentage)

Insurance Company Name	Year	Profit Growth	Corporate Burden	ROE	Company Values
PT MSIG Life Insurance Indonesia Tbk (LIFE)	2020	2.20%	7.50%	4.11%	7.61%
	2021	3.14%	8.00%	0.98%	1.83%
	2022	4.95%	8.00%	4.79%	10.78%
	2023	3.96%	8.00%	1.69%	3.62%
	2024	2.68	8.00%	4.59%	8.25%
PT Panin Financial Tbk (PNLF)	2020	2.50%	6.25%	9.20%	5.40%
	2021	3.80%	7.10%	8.70%	6.10%
	2022	1.20%	8.90%	8.30%	7.20%
	2023	4.50%	6.80%	9%	5.90%
	2024	1%	7.50%	8.50%	6.80%
Asuransi Tugu Pratama Indonesia Tbk (TUGU)	2020	3.10%	5.90%	8.80%	4.70%
	2021	4%	6.50%	8.30%	5.60%
	2022	0.80%	9.10%	7.90%	6.40%
	2023	2.50%	7.20%	8.10%	5.80%
	2024	1.20%	7.90%	8%	6.20%
PT Paninvest Tbk (PNIN)	2020	1.80%	5.70%	9.50%	4.20%
	2021	3.20%	6.20%	9%	5%
	2022	2%	7.60%	8.60%	6%
	2023	1.60%	6.40%	8.80%	5.50%
	2024	0.50%	7.10%	8.70%	6.30%
PT Bhakti Multi Artha Tbk (BHAT)	2020	1.90%	4.85%	9.50%	3.80%
	2021	2.70%	5.30%	9.10%	4.50%
	2022	1.50%	7.60%	8.60%	5.20%
	2023	3.20%	6.10%	8.90%	4.60%
	2024	0.50%	6.75%	8.70%	5.30%
PT Asuransi Bina Dana Arta Tbk (ABDA)	2020	2.20%	5.20%	8.90%	4.20%
	2021	3.50%	6%	8.40%	5%
	2022	0.90%	8.40%	8%	6.10%
	2023	2.80%	7%	8.20%	5.40%
	2024	0.70%	7.60%	8.10%	5.90%

The results of the study in Table 1 show that the financial data of six insurance companies listed on the IDX for the period 2020–2024 experienced fluctuating performance dynamics, especially in profit growth, operating expenses, ROE, and company value. 2021 was a point of pressure, marked by a decline in ROE and company value due to the impact of the pandemic. However, 2022 recorded a significant recovery, with five of the six companies experiencing an increase in profit and ROE. One company recorded a spike in ROE from 0.98% (2021) to 4.79% (2022), accompanied by an increase in company value from 1.83% to 10.78%. Although expenses remained high, operational efficiency increased. ROE above 8% in several companies indicated capital efficiency. A stable operating expense ratio (4.85%–9.10%) reflected consistent cost management. Overall, 2022 was the most effective recovery period with a simultaneous increase in all three main indicators.

Table 2. Outer Loading Results

Indicator	Revenue Growth (X1)	Operational Expenses (X2)	Company Value (Y)	ROE (Z)
X1.1	0.984			
X1.2	0.983			
X1.3	0.925			
X1.4	0.969			
X1.5	0.926			
X1.6	0.932			
X2.		0.916		
X2.1		0.981		
X2.2		0.978		
X2.4		0.966		
X2.5		0.911		
X2.6		0.918		
X2.7		0.925		
X2.8		0.721		
Y1			0.701	
Y2			0.879	
Y3			0.810	
Y4			0.935	
Y5			0.877	
Y6			0.862	
Y7			0.917	
Y8			0.873	
Z1				0.983
Z2				0.922
Z3				0.965
Z4				0.918
Z5				0.976
Z6				0.944
Z7				0.926
Z8				0.779

The data in Table 2 shows a fairly solid picture of the financial performance of insurance companies during the observation period. The Revenue Growth variable (X1) shows high consistency with a value range of 0.925–0.984, reflecting stable revenue growth thanks to effective marketing strategies and portfolio management. In contrast, Operating Expenses (X2) are more varied (0.721–0.981), indicating different operational efficiencies between companies. Return on Equity (ROE or Z) is in the range of 0.779–0.983, indicating the company's ability to generate profits from its own capital, reflecting good managerial performance. Company Value (Y) also shows positive performance (0.701–0.935), indicating good market perception of the company's prospects. Overall, there is a positive relationship between revenue growth and ROE, as well as a negative relationship between operating expenses and ROE. ROE acts as a mediator that strengthens the influence of both variables on increasing company value.

Table 3. Construct Reliability and Validity

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Revenue Growth (X1)	0.980	0.981	0.984	0.909
Operating Profit (X2)	0.972	0.973	0.977	0.842
Company Value (Y)	0.948	0.952	0.957	0.739
ROE (Z)	0.976	0.978	0.980	0.862

The results of the reliability test in Table 3 show that all construct variables in this study—Revenue Growth (X1), Operating Expenses (X2), Firm Value (Y), and Return on Equity (Z)—have a very adequate level of reliability and convergent validity. This is

evidenced by the Cronbach's Alpha, rhoA, Composite Reliability, and Average Variance Extracted (AVE) values, all of which are above the minimum threshold, namely 0.70 for reliability and 0.50 for AVE. The Revenue Growth variable (X1) recorded the highest score with a Cronbach's Alpha of 0.980 and an AVE of 0.909, indicating very high internal consistency and strong convergent validity. Other variables (X2, Y, and Z) also showed results that support the quality of the measurement instrument. Thus, the instruments used are reliable and valid, so that the results of the structural analysis and subsequent hypothesis testing can be considered to reflect the relationship between variables scientifically and credibly.

Table 4. R Square

Variables	R Square	R Square Adjusted
Company Value (Y)	0.982	0.981
ROE (Z)	0.566	0.557

The test results in Table 4 show the R Square value for variable Y (Firm Value) of 0.982, meaning that 98.2% of the variation in firm value can be explained by the independent variables in the model, the remaining 1.8% is influenced by other factors. This shows that the predictive ability of the model is very strong. For variable Z (ROE), the R Square value of 0.566 shows that 56.6% of the variation in ROE is explained by the model. The relatively close Adjusted R Square value indicates that the model is stable and not overfitting. Overall, the model has good explanatory power for firm value and financial performance.

Table 5. Hypothesis Testing

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics (O/STDEV)	P Values
Revenue Growth (X1) -> Company Value (Y)	1.720	1.728	0.249	6.917	0.000
Revenue Growth (X1) -> ROE (Z)	1.767	1.772	0.726	2.432	0.015
Operating Expenses (X1) -> Company Value (Y)	2.065	2.071	0.258	8.010	0.000
Operating Expenses (X1) -> ROE (Z)	2.465	2.475	0.703	3.505	0.000
ROE (Z) -> Company Value (Y)	0.635	0.635	0.034	18.784	0.000
Revenue Growth (X1) -> ROE-> Company Value (Y)	1.121	1.121	0.447	2.506	0.013
Operational (X1) -> ROE-> Company Value (Y)	1.564	1.567	0.428	3.651	0.000

The test results in Table 5 show that revenue growth has a significant effect on company value, with a t-value of 6.917 which is greater than the t-table and a p-value of 0.000 below 0.05, so the H1 is accepted. Operating expenses also have a significant effect on company value, with a t-value of 8.010 and a p-value of 0.000, so the H2 is accepted. In addition, revenue growth has a significant effect on Return on Equity (ROE), with a t-statistic of 2.432 and a p-value of 0.015, so H3 is accepted. Operating expenses also have a significant effect on ROE, with a t-statistic of 3.505 and a p-value of 0.000, so H4 is accepted. ROE itself has a very significant effect on company value, with a t-statistic of 18.784 and a p-value of 0.000, so H5 is accepted.

The indirect effect analysis shows that revenue growth has a significant indirect impact on firm value through ROE, with a t-statistic of 2.506 exceeding the t-table of 2.052 and a p-value of 0.013 below 0.05. This confirms that ROE mediates the relationship between revenue growth and firm value. This means that an increase in revenue growth followed by an increase in ROE will have a positive impact on firm value. In addition, operating expenses also show a significant indirect effect on firm value through ROE, with a t-

statistic of 3.651 and a p-value of 0.000. This finding confirms the role of ROE as a strong mediator in linking the firm's financial performance, both in terms of revenue and cost management, to increasing firm value. Thus, ROE is a key variable that significantly bridges the impact of financial performance on firm value growth.

DISCUSSION

The results of the study show that increasing revenue has a significant impact on firm value, as evidenced by a t-statistic of 6.917 and a p-value of 0.000. This finding is in line with Yusmaniarti et al. (2021) that companies with consistent revenue growth are viewed favorably by investors, who view the company as having great profit potential in the future. This is in line with the findings of Liong et al. (2024) and Putri et al. (2024) that revenue growth significantly affects firm value, because increased revenue is considered a positive signal by investors regarding the company's prospects. Operating expenses have a significant effect on firm value, with a t-statistic of 8.010 and a p-value of 0.000. Inefficient cost management reflects a conflict of interest between management and shareholders, which ultimately affects the perception of the company's value. These findings are supported by research conducted by Zandra (2016) which states that efficient management of operating expenses can increase company profits, which ultimately has a positive impact on firm value. The results of the study show that revenue growth has a significant effect on ROE, with a t-statistic of 2.432 and a p-value of 0.015.

Increased revenue contributes to the effectiveness of capital use (equity) (Sunarto & Prasetyo, 2009). This finding is consistent with the research of Sukmawati and Purbawangsa (2026) which states that revenue growth has a positive contribution to increasing the company's ROE. Operating expenses have a significant effect on ROE, with a t-statistic of 3.505 and a p-value of 0.000. This finding is in line with the research of Suryadi et al. (2020) which states that good management of operating expenses can increase asset growth and company efficiency. Utilization of information technology and efficient human resource management are the keys to increasing ROE (Winarso, 2014). The results of the study show that ROE has a very significant effect on company value with a t-statistic of 18.784 and a p-value of 0.000. High ROE indicates that the company is able to generate profits from available capital, which will ultimately increase the value of the company. In theory, this is in line with the Valuation Theory which states that ROE is the main indicator in assessing the financial performance and intrinsic value of a Company (Mahayati et al., 2021). Languju (2016) research found that ROE has a significant influence on company value, especially in the context of insurance companies listed on the Indonesia Stock Exchange.

The study results show that revenue growth (X1) has a significant indirect effect on firm value (Y) through Return on Equity (ROE) as a mediating variable. This is supported by a t-statistic value of 2.506, greater than the t-table value of 2.052, and a p-value of 0.013, which is below the 0.05 significance level, indicating a statistically significant indirect effect (Agustina & Baroroh, 2016; Puspitaningtyas, 2019). Similarly, operating expenses also have a significant indirect effect on firm value via ROE, with a t-statistic of 3.651 and a p-value of 0.000, both supporting statistical significance. Efficient operational cost management positively impacts ROE, which in turn enhances firm value. Excessive operational costs with minimal profit reduce ROE (Frank & Goyal, 2003). Conversely, optimal cost management—through control, process efficiency, and digital innovation—boosts profit margins and ROE. Firms with efficient resource use tend to have healthier capital structures and higher firm value (Ahmadimousaabad et al., 2013; Habib & Dalwai, 2024).

CONCLUSION

Revenue growth and operating expenses have a significant influence on the value of insurance companies listed on the Indonesia Stock Exchange (IDX), both directly and indirectly through Return on Equity (ROE) as a mediating variable. Well-managed revenue growth contributes positively to increasing ROE, while efficient management of

operating expenses also strengthens profitability performance. ROE has been shown to be an important link between internal financial performance and market perception, thereby driving an increase in company value. Therefore, insurance companies need to prioritize ROE improvement strategies, which can be achieved through revenue optimization and operational cost efficiency. These findings underline the importance of the managerial role in managing financial indicators in an integrated manner in order to create long-term value for shareholders and investors. For further research, it is recommended that the scope of variables be expanded by considering external factors such as market risk, industry regulation, and macroeconomic dynamics that may also affect company value. In addition, the addition of non-financial variables such as company reputation, governance quality, and customer satisfaction levels can provide a more comprehensive understanding of the factors that shape company value. The research can also be expanded with a longer longitudinal approach and involve companies from other financial sectors to obtain broader generalization of the results and strengthen the validity of the findings in the context of the financial services industry in Indonesia.

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