THE INFLUENCE DER, TA, AND ROA ON PBV IN SHARIAH-COMPLIANT COMPANIES IN INDONESIA IN THE CONTEXT OF POST-COVID-19 ECONOMIC RECOVERY

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Abstract

This study examines the influence of Debt to Equity Ratio (DER), Total Assets (TA), and Return on Assets (ROA) on Price to Book Value (PBV) in Shariah-compliant companies listed on the Indonesia Stock Exchange during the 2020-2023 period. The research is motivated by the critical need to understand the factors affecting market valuation, particularly in the context of post-COVID-19 economic recovery. Using panel data regression analysis, the study identifies the relationships between these financial variables and the market valuation of Shariah-compliant companies. The findings reveal that DER and TA have a significant negative impact on PBV, while ROA exhibits a significant positive effect. These results suggest that prudent management of leverage and asset structure in Shariah-compliant companies can mitigate investor risk perception, whereas strong profitability enhances corporate valuation. The novelty of this study lies in its focus on Shariah-compliant companies in the post-pandemic environment, offering valuable insights for investors and policymakers in formulating more sustainable investment strategies.

Keywords: Debt to Equity Ratio, Total Assets, Return on Assets, Shariah-Compliant Companies, Economic Recovery

INTRODUCTION

The COVID-19 pandemic has had a significant impact on the global economy, including Indonesia's Shariah-compliant business sector. Shariah-compliant companies, which operate based on ethical finance principles under Islamic law, faced considerable challenges during and after the pandemic, ranging from shifts in consumer demand and disruptions in supply chains to heightened financial market uncertainty. Under these conditions of high uncertainty, the value of Shariah-compliant companies has often fluctuated, indicating changes in investor perceptions of risk and future growth prospects (Mubarok, 2022; Purnomo, 2024). As markets begin to recover, there is a need for research to understand how key financial variables, such as the Debt to Equity Ratio (DER), Total Assets (TA), and Return on Assets (ROA), influence the Price to Book Value (PBV) of Shariah-compliant companies in the post-pandemic economic context.

One of the main challenges for Shariah-compliant companies is maintaining financial performance and regaining investor confidence in a highly competitive and pressured market environment. The Price to Book Value (PBV) metric has become crucial in assessing market valuation for these companies. PBV provides insights into investor perceptions of the company's equity relative to its book value, serving as an essential indicator in analyzing a company's fundamental strength (Putri et al., 2023). In the Shariah-compliant business context, PBV assessment becomes increasingly complex as it considers not only financial performance but also ethical factors that influence Shariah-based investment decisions (Silalahi et al., 2022). Therefore, analyzing the factors that affect PBV is essential in formulating adaptive and sustainable financial and operational strategies.

Previous research has shown that financial metrics such as DER, TA, and ROA play an important role in determining PBV, especially for Shariah-compliant companies. These metrics reflect a company's ability to manage leverage, assets, and profitability, which ultimately affect market valuation and investor appeal (Purnomo, 2024a). In the context of post-pandemic economic recovery, managing these financial variables becomes even more critical as companies must quickly adapt to changes in economic conditions, fiscal policies, and financial regulations implemented by the government to stabilize the market. According to Qadri et al., (2023), high economic uncertainty in the post-pandemic era has heightened investor focus on risk factors, particularly those related to leverage (DER). Investors view high leverage as an additional risk indicator, potentially diminishing positive perceptions of a company's value, especially in the Shariah market, which emphasizes caution and ethical finance.

The Debt to Equity Ratio (DER) represents a company’s reliance on debt within its capital structure. High DER can increase perceived risk, as companies with high leverage are seen to carry a greater financial burden, particularly amidst economic uncertainty as witnessed post-pandemic (Al-Mamun, 2020). In Shariah-compliant companies, the risk perception associated with high DER is further influenced by Shariah finance principles, which prohibit riba, or interest. This means high leverage is not always consistent with Islamic financial values, leading investors to prefer companies with lower leverage levels. In this context, understanding the impact of DER on PBV provides valuable insights for Shariah-compliant companies in adjusting their financial strategies to align with more conservative market preferences.

Total Assets (TA), on the other hand, reflect a company’s operational scale and capacity to manage assets to support productivity and long-term growth. Companies with larger total assets are typically viewed as more stable and better able to withstand economic risks, particularly under uncertain circumstances. Bin-Nashwan et al., (2020) found that companies with larger assets tend to have higher PBV as they are perceived to be more resilient to market volatility. However, in the Shariah-compliant business context, asset management is often restricted by Shariah regulations that prohibit investment in certain sectors. Consequently, large assets do not always indicate operational efficiency. For example, Shariah-compliant companies may be unable to allocate assets to investments deemed unethical, reducing flexibility and effectiveness in asset management (Putri et al., 2023). Therefore, in the post-pandemic context, the impact of total assets on PBV requires careful consideration due to the regulatory constraints that distinguish Shariah-compliant companies from conventional ones.

Return on Assets (ROA) serves as an indicator of a company's efficiency in using its assets to generate profit. In signaling theory, high ROA indicates good efficiency and profitability, sending positive signals to investors that the company effectively manages its assets to create added value. (Bin-Nashwan et al., 2020) found a positive relationship between high ROA and PBV, particularly for companies with stable and efficient operations. However, in Shariah finance, investors’ perception of ROA is also influenced by how the profit is achieved. Shariah investors tend to consider ethical aspects in profit generation; thus, profit that is not aligned with Shariah principles can affect market perception, even if ROA is high in financial reports (Nainggolan, 2023a). In this regard, a high ROA does not necessarily guarantee an increase in PBV if the profitability sources are not aligned with the ethical standards expected by investors in the Shariah market.

Beyond financial performance, this study also has theoretical significance. It considers financial theories such as the Modigliani-Miller theorem, which states that a company's value is not dependent on its capital structure under certain conditions. However, in the context of Shariah-compliant companies that apply risk-sharing and ethical finance principles, this theory requires adjustment to understand Shariah-compliant company performance dynamics. Shariah-compliant investors, who have different preferences from conventional investors, may view leverage or DER differently, especially since high risk is often avoided in Shariah finance (Aslam & Haron, 2020). Another theory supporting this study is signaling theory, which suggests that financial metrics like ROA can provide positive signals regarding a company's efficiency, ultimately enhancing market valuation.

In the post-pandemic economic recovery context, Shariah-compliant companies also face challenges in adjusting their capital strategies to meet diverse market needs. Dynamic economic conditions and market volatility push companies to maintain more conservative capital structures, reduce reliance on external debt, and focus more on internal financing or Shariah-based partnerships such as mudarabah and musharakah (Karbhari et al., 2020). This approach not only supports the risk-sharing principle emphasized in Shariah finance but also provides advantages in managing risk and financial resilience in the face of unstable market conditions. Therefore, this study is expected to offer insights into how Shariah-compliant companies can optimize their financial and operational strategies to maintain appeal among both Shariah-compliant and conventional investors.

By understanding the relationship between DER, TA, and ROA and PBV, this research is expected to help Shariah-compliant companies identify effective financial strategies to improve their market valuation and financial stability in the post-pandemic situation. For investors, this research provides valuable insights into the factors to consider when assessing the performance of Shariah-compliant companies. For policymakers, the findings can serve as a basis for formulating policies that support the sustainable financial stability of the Shariah sector in the future. This study aims to provide an empirical contribution to Shariah finance literature by exploring the relationship between DER, TA, and ROA and PBV, specifically in the context of post-pandemic economic recovery in Indonesia.

RESEARCH METHODS

The relationship between Debt to Equity Ratio (DER), Total Assets (TA), and Return on Assets (ROA) with Price to Book Value (PBV) can be explained through several financial theories. The Pecking Order Theory suggests that companies prefer internal financing over external debt to avoid higher financial risk, influencing DER’s negative impact on PBV, as high leverage may signal financial instability to investors. Resource-Based View (RBV) posits that asset management efficiency, rather than mere asset accumulation, drives firm value; thus, larger TA can positively impact PBV only when assets are strategically deployed. Signaling Theory indicates that ROA serves as a positive indicator to investors about operational efficiency and profitability, aligning with PBV’s increase as profitability rises. In the context of Shariah-compliant companies, adherence to ethical finance and efficient use of assets reinforces investor confidence, enhancing PBV. Together, these theories provide a framework for understanding how DER, TA, and ROA impact PBV.

Based on this framework, this study aims to examine how DER, TA, and ROA relate to PBV in Shariah-compliant companies in post-pandemic Indonesia. This framework is based on the premise that financial metrics significantly affect market valuation, particularly in sectors with unique ethical characteristics and risk-sharing principles such as Islamic finance. By examining these variables, this study aims to provide deeper insights into the performance dynamics of Shariah-compliant companies and offer recommendations for investors, policymakers, and academics in understanding the factors influencing market valuation of Shariah-compliant companies in the post-pandemic era.

Hypotheses

Based on the literature review, this study proposes the following hypotheses:

1. H1: There is a negative relationship between Debt to Equity Ratio (DER) and Price to Book Value (PBV) in Shariah-compliant companies in the post-pandemic context.

2. H2: There is a positive relationship between Total Assets (TA) and Price to Book Value (PBV) in Shariah-compliant companies.
3. H3**:** There is a positive relationship between Return on Assets (ROA) and Price to Book Value (PBV) in Shariah-compliant companies.

The proposed equation model to analyze the relationships among the variables is as follows:

$PBV_i = \beta_0 + \beta_1 \cdot DER_i + \beta_2 \cdot TA_i + \beta_3 \cdot ROA_i + \epsilon_i$

Dimana:

PBV_i : Nilai Price to Book Value
DER_i : Debt to Equity Ratio
TA_i : Total Assets
ROA_i : Return on Assets
β_0 : Konstanta (intersep)
$\beta_1, \beta_2, \beta_3$: Koefisien
ϵ_i : error

This study employs a quantitative approach with a correlational research design to examine the relationship between Debt to Equity Ratio (DER), Total Assets (TA), and Return on Assets (ROA) with Price to Book Value (PBV) in Shariah-compliant companies. Additionally, it explores the moderating role of DER and TA on the relationship between ROA and PBV. The research focuses on Shariah-compliant companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023, enabling an in-depth analysis of the COVID-19 pandemic's impact on the financial performance of these companies.

The population for this study includes all Shariah-compliant companies listed on the IDX from 2021 to 2023. A purposive sampling technique was employed to select firms with complete financial data for the period, resulting in an approximate sample size of 20 firms with 200 observations.

Data Collection

This study uses secondary data obtained from annual financial reports and company reports available on the IDX. The financial metrics used as variables in the study include DER, TA, ROA, and PBV. Secondary data were selected for their reliability in providing a comprehensive view of the companies' financial conditions during the study period.

The data collection techniques in this study involved two main methods:

1. Document Analysis: Financial reports and annual reports were analyzed to collect data on DER, TA, and ROA. This analysis focused on official reports published by the companies and IDX – Jakarta Islamic Index (30).
2. Access to Financial Databases: Additional data, particularly for PBV values, were obtained from recognized financial databases such as Stockbit to ensure data accuracy and validity.

Data Analysis Techniques

This study applies several data analysis techniques, including:

1. Descriptive Statistics: Descriptive statistics were used to describe the basic characteristics of the collected data, such as minimum, maximum, mean, and standard deviation values for each variable.
2. Panel Data Multiple Regression Analysis: This technique was used to examine the relationship between the independent variables (DER, TA, and ROA) and the

dependent variable (PBV). The purpose of this analysis was to determine the significance of each independent variable's impact on PBV, both individually and collectively.
3. Statistical Significance Testing: Statistical significance testing was performed at a 5% significance level ($p < 0.05$) to determine whether the identified relationships between the variables were statistically significant.
4. Model Fit Testing: The R-squared value was used to measure the goodness-of-fit of the regression model, indicating how much of the variability in PBV can be explained by the independent variables.

Classical Assumption Testing

Before performing panel data regression analysis, classical assumption tests were conducted to ensure the validity of the regression model. These tests included:
1. Normality Test: A normality test was conducted to confirm that the residuals followed a normal distribution.
2. Multicollinearity Test: This test was used to detect any high correlations between independent variables that could interfere with the regression analysis.
3. Heteroscedasticity Test: This test aimed to ensure that the variance of residuals was consistent across all levels of prediction.

Research Context

This study was conducted in Indonesia, focusing on companies listed on the IDX. Data collection took place from January 2024 to June 2024, with data analysis scheduled for completion in August 2024.

Ethical Considerations

Since this study utilized publicly available secondary data, informed consent was not required. However, the researcher maintained the confidentiality of company identities by not disclosing sensitive information in the final research report. Furthermore, the integrity of the study was upheld by conducting data reporting and analysis transparently and objectively.

Assumptions and Limitations

This study acknowledges several assumptions and limitations:
1. Data Accuracy Assumption: The data used is expected to be accurate and reliable, consistent with the published financial reports.
2. Linear Relationship Assumption: It is assumed that the relationship between the independent variables (DER, TA, ROA) and the dependent variable (PBV) is linear.
3. Geographic and Post-Pandemic Context Limitations: This study is limited to Shariah-compliant companies in Indonesia and covers only the post-pandemic COVID-19 period, which may affect the generalizability of the results to other contexts or time periods.

This structured research methodology is expected to yield valid and reliable findings, contributing valuable insights into the factors influencing the valuation of Shariah-compliant companies in Indonesia within the post-pandemic COVID-19 context.

RESULTS AND DISCUSSION

This study presents several key findings regarding the influence of Debt to Equity Ratio (DER), Total Assets (TA), and Return on Assets (ROA) on Price to Book Value (PBV) in Shariah-compliant companies in Indonesia within the context of post-COVID-19 economic recovery. The analysis was conducted using panel data regression with the Fixed Effects Model (FEM), chosen as the best model based on the results of the Chow and Hausman tests. The following are the results and interpretations of the data analysis conducted.

Descriptive Analysis

The descriptive analysis provides a general overview of the characteristics of the research variables. The average DER value in the sample companies was 0.3783, with a standard deviation of 0.3840, indicating varied levels of leverage, reflecting different dependencies on debt. DER distribution is skewed to the right, with skewness of 1.2749, indicating several companies with higher-than-average leverage.

For Total Assets (Ln TA), the recorded mean is 10.2477, with a median of 10.4436 and a standard deviation of 1.7227. TA distribution has a negative skewness of -1.8434, indicating some companies with lower-than-average total assets. Meanwhile, PBV, the dependent variable, has a mean of 2.1858 and a standard deviation of 1.4896. A positive skewness of 1.5826 indicates several companies with above-average PBV values. Lastly, ROA has a mean of 0.0213 with a standard deviation of 0.0328 and a positive skewness of 0.8804, indicating companies with higher-than-average profitability. (Refer to Table 1).

Table 1. Descriptive Statistics

Description	DER	Ln TA	PBV	ROA
Mean	0.3783	10.2477	2.1858	0.0213
Median	0.2986	10.4436	1.7300	0.0168
Mode	0.0100	10.4984	2.0100	0.0046
Standard Deviation	0.3840	1.7227	1.4896	0.0328
Skewness	1.2749	-1.8434	1.5826	0.8804
Count	200	200	200	200

Source: Processed Primary Data, (2024)

Model Selection

Model testing conducted to identify the most suitable model indicates that the Fixed Effects Model (FEM) is optimal for this study. According to the Chow Test, Cross-section F is recorded at 62.335773 with a probability value of 0.0000, and Cross-section Chi-square is 454.384243 with a probability of 0.0000. These results indicate a probability value of less than 0.05, supporting the selection of FEM. (See Table 2).

Table 2. Model Selection

Type	Test	Statistic	Prob.	Result
Chow Test	Cross-section F	62.33	0.0000	FEM
	Cross-section Chi-square	454.38	0.0000	
Hausman Test	Cross-section random	14.92	0.0019	FEM

Source: Processed Primary Data, (2024)

The Hausman Test further confirms this, with a Chi-Square Statistic of 14.922828 and a probability of 0.0019, which is also less than 0.05, leading to the selection of FEM as the optimal model.

Panel Data Regression Results

The results of the panel data regression analysis using the Fixed Effects Model (FEM) are shown in Table 3.

Table 3. Panel Data Regression Test

Variable	Coefficient	Statistic	Probability	Result
DER	-1.025	-2.522	0.0126	Significant
Ln TA	-0.966	-2.487	0.0138	Significant
ROA	8.774	4.675	0.0000	Significant
Intercept	12.292	3.132	0.0020	Significant
R^2	0.9011			

Source: Processed Primary Data, (2024)

The resulting regression model is as follows:

$$PBV = 12.29 - 1.025 \times DER - 0.966 \times Ln\ TA + 8.77 \times ROA$$

The R-squared value of this model is 0.9011, indicating that this model can explain approximately 90.11% of the variability in PBV among Shariah-compliant companies. This value shows a good fit, meaning the independent variables used in this study, DER, TA, and ROA, significantly contribute to explaining PBV variability.

Interpretation of Results

1. Impact of DER on PBV

   The coefficient for DER is -1.025, with a probability value of 0.0126, indicating a negative and significant effect of DER on PBV at a 5% significance level. This result suggests that each unit increase in DER reduces the PBV of Shariah-compliant companies by 1.025 points. In other words, the higher the debt-to-equity ratio of a company, the lower its recorded PBV.

   This finding implies that high leverage is viewed as an additional risk indicator, especially within the context of post-pandemic economic recovery. Investors tend to view high leverage as a factor that can increase financial risk, ultimately reducing the attractiveness of a company. In Shariah financial markets, which are more conservative and emphasize risk-sharing, high DER is often perceived negatively by investors as it could threaten financial stability if not managed carefully.

2. Impact of TA on PBV

   The coefficient for Ln TA is -0.966, with a probability value of 0.0138, indicating a negative and significant effect of TA on PBV. Each unit increase in Ln TA reduces PBV by 0.966 points. This result is particularly interesting, as under normal circumstances, an increase in total assets would be expected to increase PBV. However, in the post-COVID-19 context, investors' perception of asset growth is negative if the assets are not accompanied by increased productivity or efficiency.

   One reason asset growth can negatively impact PBV in this context is that investors may view assets acquired through debt or without a clear management strategy as an additional burden that increases financial risk. In Shariah-compliant companies, asset management must also adhere to Shariah principles, which restrict the allocation of assets to certain ethical sectors. Thus, investor perception of TA in Shariah-compliant companies is more complex, especially if asset growth is not accompanied by a productive and Shariah-compliant management strategy.

3. Impact of ROA on PBV

   The coefficient for ROA is 8.774, with a probability value of 0.0000, indicating a positive and significant effect of ROA on PBV at a 1% significance level. This result means that each unit increase in ROA increases PBV by 8.774 points. This finding aligns with signaling theory, which posits that high profitability sends positive signals to investors regarding operational efficiency and financial stability.

   For Shariah-compliant companies, high ROA indicates effective asset management in generating profits, thereby enhancing investor appeal. High profitability not only reflects operational efficiency but also strengthens positive perceptions of the company's stability and future growth. In the Shariah market context, profitability achieved through Shariah-compliant practices is more appreciated by investors, ultimately increasing the company's market valuation.

Model Fit and Data Validity

The high R-squared value of 0.9011 indicates that this model can explain the majority of PBV variability in this study. Therefore, the findings of this study are highly valid as the regression model used can explain more than 90% of the variation in PBV. Additionally, classical assumption tests, such as normality, multicollinearity, and heteroscedasticity tests, have ensured that this regression model is valid for analyzing the relationship between independent variables and PBV in Shariah-compliant companies.

Empirically, these findings provide a comprehensive view of how major financial variables like DER, TA, and ROA interact and influence PBV in Shariah-compliant companies. The results also indicate that investors in Shariah markets tend to have different preferences from conventional markets, where variables like DER and TA are perceived negatively if not effectively managed.

Influence of DER on PBV

The negative relationship between DER and PBV observed in this study aligns with traditional finance theories, particularly the Pecking Order Theory, which posits that companies prefer internal financing to avoid the adverse signal of high leverage. Studies by Anton (2023) and Colline (2022) also confirm that high DER can reduce PBV, as investors perceive increased leverage as a risk factor, especially in uncertain economic conditions. This study corroborates Anton's findings, with additional evidence that in Shariah finance, high DER contradicts the ethical and risk-averse nature of Shariah-compliant investment principles, which further deters investor interest.

In contrast, Hong et al. (2021) and Ekabiakto and Bambang Mulyana (2020) challenge the significance of DER, arguing that market instability during the pandemic diminishes the reliability of traditional financial ratios as predictors of firm value. Sitanggang (2024) adds that factors like market capitalization and profitability may be better indicators of stock returns than DER. However, our study indicates that even in post-pandemic recovery, investors in Shariah markets remain cautious about high DER, suggesting that DER's impact on PBV endures despite market instability. This result underscores the distinct risk perception of Shariah-compliant investors, emphasizing the need for Shariah-compliant companies to adopt more conservative leverage strategies in volatile markets.

From a theoretical perspective, these findings support Signaling Theory, which states that a company's capital structure can signal financial stability to investors. High leverage, particularly in the post-pandemic context, sends a negative signal to investors regarding additional risks faced by the company. In Shariah markets, investors' cautious approach makes highly leveraged companies less attractive as they are perceived to add financial risk. Moreover, these findings align with the Pecking Order Theory within Shariah finance, suggesting that Shariah-compliant companies benefit more from internal funding or Shariah-based partnerships rather than external debt.

This study contributes to understanding Shariah investor behavior in assessing highly leveraged companies. Although Shariah principles do not prohibit leverage as long as it avoids riba (interest), Shariah investors appear to associate high DER with significant risk. This shows that Shariah investors have a stronger preference for conservative capital structures in uncertain economic conditions. The findings also imply that Shariah-compliant companies in Indonesia should consider more conservative capital strategies in economic recovery periods to maintain positive investor perceptions.

Influence of TA on PBV

The study reveals a negative association between Total Assets (TA) and PBV, a finding that diverges from traditional views where larger assets are perceived as a stability indicator (Harnovinsah et al., 2023; Salim & Firdaus, 2020). Traditional perspectives, particularly the Resource-Based View (RBV), argue that substantial assets support operational stability and resilience. However, our findings align more closely with the observations of Satria (2024) and Wardana & Fikri (2020), who note that post-pandemic recovery has shifted investor focus towards asset efficiency over size. This study confirms that investors may view large but inefficiently utilized assets as a liability, especially when Shariah compliance limits asset allocation flexibility.

Moreover, this finding highlights a particular challenge for Shariah-compliant companies. Unlike conventional businesses, Shariah-compliant companies face ethical constraints that limit asset allocation in certain sectors (Putri et al., 2023), which can lead to inefficiency in asset utilization. As the findings suggest, in the post-pandemic context, large assets acquired through debt are viewed as potential financial burdens. Consequently, Shariah-compliant companies may need to prioritize strategic asset allocation over asset expansion to enhance PBV. This aligns with findings from Rahmasari (2024), who suggests that efficiency in asset management holds more value in Shariah markets than sheer asset volume.

These findings also support Signaling Theory, where asset growth through debt can send negative signals to investors, especially in conservative Shariah markets. Large assets are viewed as an additional burden if not accompanied by adequate profitability or efficient management strategies. Shariah investors tend to be more cautious in assessing companies with large assets funded by debt, as this is inconsistent with the prudential principles expected in Shariah finance.

Overall, the findings suggest that Shariah-compliant companies should consider more effective and efficient asset management strategies, especially in the post-pandemic context. Productive and Shariah-compliant asset utilization is essential to maintaining a positive perception among investors. Additionally, the study shows that capital structure and asset financing sources significantly influence market perception, indicating that Shariah-compliant companies need to balance asset growth with prudent financial risk management.

Influence of ROA on PBV

The positive impact of ROA on PBV aligns with Signaling Theory, wherein high ROA signals operational efficiency and profitability, thus improving investor confidence. Studies by Dc (2023) and Budi (2024) support this view, demonstrating that high ROA strengthens PBV by indicating effective resource utilization. In Shariah finance, this relationship is accentuated, as profitability achieved through ethical practices attracts investors seeking Shariah-compliant opportunities (Nainggolan, 2023).

Despite broad support for the positive impact of ROA on PBV, some studies question the stability of this relationship in volatile conditions. Prihanta et al. (2023) argue that while ROA is crucial, its effect on firm value may fluctuate under economic uncertainty. Our study, however, provides robust evidence that ROA's impact on PBV persists even in post-pandemic recovery. This finding is particularly significant for Shariah-compliant companies, as high ROA achieved through ethical means not only boosts PBV but also aligns with investor expectations in Shariah markets, confirming the importance of ROA as a reliable indicator of value in volatile conditions.

In Shariah-compliant companies, the findings indicate that profitability achieved in a Shariah-compliant manner has a positive impact on PBV. This is relevant to signaling theory, which posits that high profitability signals positive operational efficiency. Shariah investors, who prefer companies adhering to Shariah-based business practices, are more attracted to companies with high ROA, as they are seen as capable of generating sustainable profits without violating ethical principles. Furthermore, this study shows that ROA can serve as a key indicator in evaluating Shariah-compliant companies' performance, especially in the post-pandemic context.

CONCLUSIONS AND SUGGESTIONS

Conclusions

1. Debt to Equity Ratio (DER) Has a Negative Impact on Price to Book Value (PBV): In the post-COVID-19 context, high DER poses a serious threat to the PBV of Shariah-compliant companies. Investors perceive increased leverage as a significant financial risk and tend to respond by lowering PBV, particularly in times of high economic uncertainty. A conservative capital structure with low debt is preferred by investors, not only reflecting adherence to Shariah principles but also reducing overall risk perception.
2. Total Assets (TA) Has a Negative Impact on Price to Book Value (PBV): In the post-pandemic economic climate, increasing assets in Shariah-compliant companies, especially those financed by debt, is viewed negatively by investors. They see large assets without efficiency or Shariah-compliant management as a high-risk signal, ultimately reducing PBV. Investors are now more cautious and prioritize efficiency in asset management, especially amidst ongoing economic instability.
3. Return on Assets (ROA) Strengthens Price to Book Value (PBV): High ROA has a significant positive impact on PBV in Shariah-compliant companies, demonstrating that solid profitability enhances market valuation. In the post-pandemic period, strong ROA sends a positive signal to investors that companies can efficiently manage assets despite economic challenges, aligning with Signaling Theory. Shariah investors prefer highly profitable companies that achieve this profitability through Shariah-compliant practices, viewing such companies more positively than those profiting from non-compliant activities. Profitability that aligns with Shariah principles not only meets market expectations but also enhances the attractiveness of Shariah-compliant companies to investors. These findings emphasize the importance

of Shariah-compliant companies prioritizing ethical compliance, not just profit, to maintain investor appeal and improve PBV.

Suggestions

Based on the analysis of the effects of Debt to Equity Ratio (DER), Total Assets (TA), and Return on Assets (ROA) on Price to Book Value (PBV) in post-pandemic Shariah-compliant companies:

1. Conservative Leverage Management: Shariah-compliant companies should strictly control DER and significantly reduce reliance on debt. This strategy can be pursued by increasing internal funding or through Shariah-based partnerships such as mudarabah and musharakah, which not only strengthen investor confidence but also effectively reduce risk perception.
2. Optimization of Asset Utilization: Companies must ensure that all increased assets are allocated to productive activities fully compliant with Shariah principles. Avoiding excessive debt-financed asset growth is a crucial step in maintaining a positive investor perception of company value, especially in fluctuating market conditions.
3. Focus on Sustainable and Ethical Profitability: Maintaining high ROA through business practices consistent with Shariah is essential to enhancing PBV. Companies need to optimize operational efficiency and invest in sectors that support Islamic ethics, thereby increasing appeal among investors who value Shariah-compliant finance principles.

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