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**ECONOMY AND CORPORATIONS: MEASURING HOW ECONOMIC GROWTH INFLUENCES CORPORATIONS' FINANCIAL PERFORMANCE IN INDONESIA 2013-2020**

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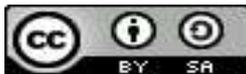
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**Abstract**

*Time series data from the World Bank shows that since Soekarno's regime to current regime, now in 2020, Indonesia has been having fluctuation of economic growth. Moreover, the pattern of economic growth is on the same rhythm with the pattern of Indonesia Stock Exchange's market capitals. The patterns shows unique correlations, since the investors in Stock Market tend to invest on financially well-performed companies. Hence, through this correlation research, the researcher tries to inquire how economic growth influences corporations' financial performances in Indonesia. Rely on state of the arts, the researcher use ROA and ROE of ten percent samples or 59 companies in Indonesia Stock Exchange as dependent variables in simple linear regression analysis on answering the research questions. Surprisingly, the researcher found unique results from 118 hypotheses, of those all hypotheses, 110 are significant, Seven insignificant, and one is unfulfilled Linearity Test. Astonishingly, of those Seven insignificant results, two companies performed better than economic growth since they able to maintain their financial performance while whether economy is in crisis or not..*

**Keywords:** ROA, ROE, Economic Growth, corporations, Regression



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**INTRODUCTION**

Market and prosperity are the entities of which many people from researchers, economists, politicians, and intellectuals spend their time to deal with. We have to deal with the market, if we want to be prosperous. (Robinson & Acemoglu, 2012) on their "Why Nation Fail: The Origin of Power, Prosperity, and Poverty", explain through giving example of South Korean and North Korea. These two countries are having many similarities from culture, language, and race, yet they are distinct in the way they govern the countries. North Korea, although its name is Democratic People of Republic Korea, yet its government is dictatorial. The country rolled by Kim's family, from Kim Il Sung, Kim Jong Il, to Kim Jong Un. As dictatorial government as usual, the country is strict both economically and politically, so that difficult for foreign investor to penetrate into North Korea's market. The consequence is its economy be exclusive, so hard to boost the prosperity. On the other hand, South Korea is vice versa. Its government is much more democratic and its market is much more opened. In South Korea, foreign investors could penetrate through capital market or the others means of investments. Due to these discrepancies, by the late 1990s, in just about half century, South Korea growth and North Korea stagnation led to a tenfold gap between the two halves of this once-united country. On this case, we have to look at the openness of institution for an answer (2012: P73).

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The openness of institution is the lesson that we learn from two countries above. The more opened a country, the easier the capital follows into the country. Moreover, (Robinson & Acemoglu, 2012) add that exclusive economic institution and extractive and inclusive political institution is cardinal to make the market be penetrable. This argument is reasonable since inclusive economic institution gives the opportunity for everyone exist on the market. And, the market itself is tend to be inclusive, if the economic institution is inclusive too. (Robinson & Acemoglu, 2012) explain that inclusive economic institution gives people freedom to pursue the vocation in life that the best suit their talents and provide a level of playing field that gives them the opportunity to do so. Those who give good ideas will be able to start business, workers will tend to go activities where their productive is greater, and less efficient firms can be replaced by more efficient one.

Furthermore, it hard to deny that economic institution is created by the political institution. The characteristic of political institution has much influenced the characteristic economic institution. Authoritarian regime like Cuba under Fidel Castro or North Korea under Kim's family creates the unopened economic institution. Whereas democratic country like the United States (U.S) and South Korea tend to be more liberal in economic institution. (Comaroff & Comaroff, 2012) on Max Weber's argument on his "Protestant Ethics and the Spirit of Capitalism" this happen since liberal economic institution is representative of the political system, and political system is representative of people's values. However, although China rolled by the Communist Party, since the authority of Deng Xiaoping, its economy be more and more liberal (Fewsmith, 2018). So does Indonesia, although throughout Suharto's government it is politic be authoritarian, yet its economic system is liberal.

Economic liberalism is much more attractive than either Socialism and Marxism. For example, the countries like China since Deng Xiaoping's era and Indonesia since Suharto's authoritarian regime, the politic was strict, but the market and economy is9 liberal. According to the (Fewsmith, 2011) on his China opened its market since it needs to restructure its economy. For China, it is impossible to compete globally through the strict communist economic system (Fewsmith, 2013).

The same but a little bit different with China, Suharto's regime - rose after Sukarno's abdication, eradicated the Communist Party in almost all aspect of national life. Although Suharto himself was an authoritarian leader, yet he was preferring to Liberal economic system than Socialism. Hence, since the first year of his authority, he used liberal economists like Emil Salim, Widjiyo Nitisastro, and Ali Wardhana to assist him to recover Indonesia's economy (Abdulgani-Knapp, 2007).

Since then, Indonesia – Soeharto's new order, was transformed its political economy from socialist economy by Soekarno's version, into more liberal designed by the 'Berkeley Mafias. That economist group begin to liberalized and restructured Indonesia economic system under Soeharto's regime from liberalization of natural resources to liberalization of Indonesia market (Davidson, 2018). This transformation was successfully carrying Indonesia from inflation 600% to progressive GDP growth from 1965 to 1970.

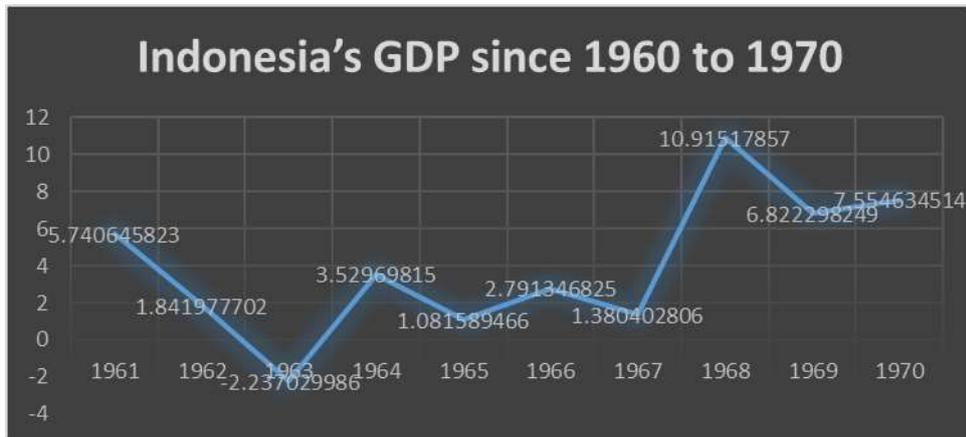


Figure 1 Indonesia GDP 1960-1970 (Source: <https://data.worldbank.org>, accessed: October 10, 2020)

The graph above shows that since President Soekarno's abdication, and inauguration of President Soeharto in 1967, Indonesia GDP significantly growth from that time to 1970. On this time, as explained in the graph above, President Soeharto tried to restructured the economy into be more liberal, so that foreign direct investment (FDI) able to flow into the country.

Soeharto, although he was an authoritarian and militaristic, he successfully built various infrastructures, implemented a few social programs, and liberalized the economy. From the economic liberalization, Soeharto, unlike Soekarno, he was favorable of foreign investors particularly in natural resources sectors. Moreover, in the era of Soeharto, the main concerns of development also rice self-sufficiency. Although facing many critics, these program was successfully happened in 1984. However, this program spends huge foreign debt, that after Soeharto's abdication, the next rulers of Indonesia's government responsible to pay.

From this point, the distinction between Soeharto's and previous era is in the economic system. Soeharto prefer to use liberal econominst - as explained above, to manage the economy that they use liberal and capitalist system. The system, has successfully proven that throughout Soeharto's era, the GDP and economic growth were generally stable as the graph below.

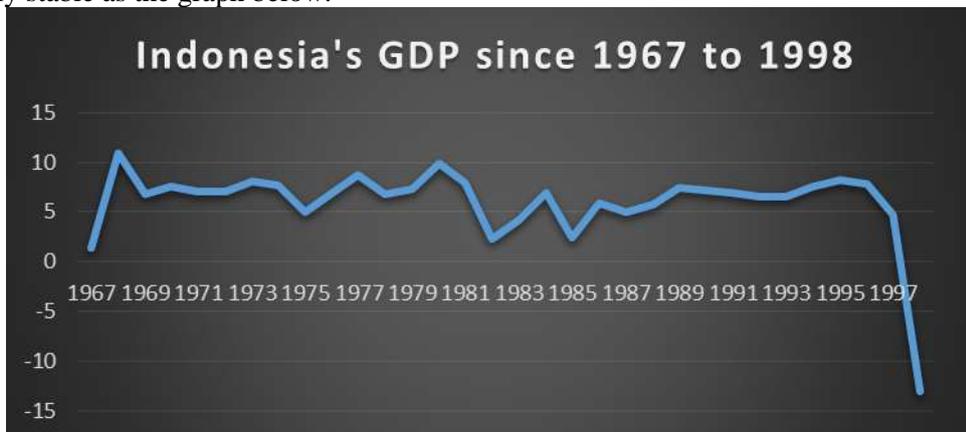


Figure 2. Indonesia GDP 1967-1998 (Source: <https://data.worldbank.org>, accessed: October 10, 2020)

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The graph above informs about the fluctuation of Indonesia's GDP throughout of Soeharto' tenure as Indonesia president. At the beginning of his power in 1967, Indonesia's GDP was growing significantly, although in Soekarno's era the economy was terribly suffer. For example, according to the World Bank's data since 1961 to 1966, Indonesia economy on the great crisis. In 1963, the economic growth was - 222% and inflation was about 650% (www.data.worldbank.org, 2020). This graph, however, shows that President Soeharto able to boost Indonesia GDP relatively high throughout his tenure. Although in 1981 to 1982 the GDP was down, yet on the years ahead, the GDP could grow up relatively steady until Asia Financial Crisis in 1997 and 1998 came.

Soeharto's liberal economy is not only reflected by the way he manages the national economy, but also the way he attracts the the foreign investors through opening both of Jakarta Stock Exchange in 1977 and Surabaya Stock Exchange in 1989. Then, those merged into Indonesia Stock Exchange in 1995, which located in Jakarta. Soeharto's government aware that on boosting Indonesia's economic growth, it needs to use the foreign investment since booth demographically and economically, Indonesia was quite attractive for those who aims to invest or open a business in Indonesia. However, in 1997 Indonesia was facing the monetary crisis, and Soeharto was abdicated in 1998. But still, this Indonesia Stock Exchange still be the main facility for foreign investors to invest. Hence, the government maintains its existence, and it exists until now in 2020.



Figure 3. Data FDI 1970-2019 (Source: <https://data.worldbank.org>, accessed: October 2020)

As the graph above, it informs that from the reopening Jakarta Stock Exchange in 1977, Indonesia's foreign direct investment (FDI) simultaneously grows step by step and little by little. In addition, the graph shows that since 1994 to 1996, a numbers of FDI were significantly grew. However, those were plummet since 1997 to 2000 due to the Asia Monetary Crisis.

Susilo Bambang Yudhoyono, he was an excellent president from economy policies standpoint. I his era, although Indonesia was negatively suffering of Global Financial Crisis in 2008, but under his leadership the economic able to recovery for a short time. In 2008, Indonesia economic growth was 3,465%. It is true that the number of economic growth was small, but this was in a crisis condition. Comparing to the other countries like France that was 0.22% and the U.K that was -0.28%, Indonesia economic growth was much

more attractive. In addition, in the same year, the number of foreign direct investment in Indonesia was rising up.

The increasing the number of foreign direct investment when the Global Financial Crisis in 2008 was not the only one of president Yudhoyono's success indicators, but those able to be seen from the others indicators. For example, in 2004, when Yudhoyono started his presidency, Indonesia economic growth was -4.12%. In 2004 since Megawati unable to manage the condition. Nevertheless, by the time he begin his presidency, Yudhoyono launched some policies like negotiation with the Independent Aceh Movement to reduce the conflicts and separations and reducing kerosene subsidy. These policies were for restructure the economic growth and development.

Hence, the next year, in 2005, Indonesia economic growth was increasing from -4.12% in 2004 to 5.69% in 2005. At the time, there were not only national economy that was growing, but also foreign direct investment. This positive economy condition continued to 2007 that the number of economic growth was 6.34%, 2010 was 6.22% and until the end of president Yudhoyono's tenure in 2014 that was 5.0% of economic growth.

The next president is Joko Widodo, he was taking over the authority from President Yudhoyono through 2014 general election. In 2015, the economic growth was 5.0%. On that year, the economy was stagnant, which means there was insignificant improvement than previous year. Furthermore, in 2016, the economy was a little bit growing, the number of economic growth was 5.03%. The growing of that year was only 0.03%, and in 2017, the growing was also a little bit increase, which was 0.04% that was mean that the economic growth on that year was 5.07%. On the next couple years, in 2018 and 2019, 5.17% and 5.025%. Reflecting and comparing the economic growth between president Yudhoyono and president Widodo, it easy to conclude that from economic growth viewpoint, Yudhoyono's presidency was much better than Widodo's.

President Widodo, however, since the beginning of his tenure, has been struggling to boost economic growth through increasing the investment in Indonesia. Although on his first year of presidency foreign direct investment was plummeting, but he believe that Indonesia economic growth able to be boosted through foreign direct investment. He once said that investment is the key to accelerating economic growth amid a slowing global economy (www.thejakartapost.com: 2020). Additionally, president Widodo restructure the bureaucracy, particularly for investment permit. In addition, he currently, along with People Legislative Council, arranged Omnibus Law to boost foreign direct investment.

Widodo's belief that boosting foreign direct investment able to boost economic growth may according to the economic theory that investment is one of the economic growth indicators. Because, for Widodo, the government already maximized the government spending. Hence, he should maximize the investment to boost economic growth.

The foreign direct investment, as the government expects, hopefully able to either boosting the operations of corporations in Indonesia and incorporating new corporations in Indonesia those consequently able to create new jobs for Indonesian people since the corporation needs employers to operate. Through their wages, the employers able to spend theirs to fulfill their needs. From the corporations' side, they receive the revenue and profit from their business since they may export the products in a larger number.

The government, they receive the taxes both from the corporations and the employers. The taxes those the government receives, spent by the government for the wages of civil servants, police members, soldiers, and the others government officials, including Widodo himself. Then, they spend their wages to fulfill their needs, as the

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employers do. Through this way, the economic growth hopefully would rise from the

consumption, the investment, the government spending, and the net export minus import.

If economy always attractively growth from time to time, the condition is interesting for the investor, then they invest in Indonesia through whether incorporating the corporations or buying corporations' stocks those already exist in Indonesia through Indonesia's Stock Market. Then, it triggers economic growth as explained above. This concept called multiplier effects. This multiplier effect is the reason why the government struggles for foreign direct investment. It is already clear that the investment able to boost the economic growth since investment itself theoretically a part of economic growth indicators. Nonetheless, something that still be a conundrum is whether economic growth able to galvanize the corporation performance or not. This is the problem that this research would answer.

The foreign direct investment, as explained above, is an instrument for Indonesian government to boost economic growth. However, the main purpose is not only the economic growth, but also continues economic growth through multiplier effect. Foreign direct investment whether through incorporating corporations in Indonesia or through buying the corporations' share in Indonesia Stock Market, theoretically able to heighten Indonesia's economic growth (Vasa & Angeloska, 2020). Yet, it is uncertain that such economic growth whether able to heighten the corporations' financial performance or not. This is cardinal since if economic growth able to heighten the corporations' financial performance, it will stimulate the growth of foreign direct investment in Indonesia. Hence, it will also stimulate the economic growth in Indonesia. In another word, foreign direct investment able to create continuous economic growth.

Furthermore, on making that the correlation between corporations' financial performance and economic growth be more blatant, the researcher needs to explain this through using Indonesia Composite Index's time series data and Indonesia's economic growth time series data. The researcher uses Indonesia Composite Index's time series data as an indicator that corporations in Indonesia are attractive for investors. As explained previously that if corporations' financial performance is attractive, it also attractive for the investors to invest within. Hence, if a number of investments are coming in, the number of Indonesia Composite Index's market capitalization will automatically



increase too.

Figure.4 Scatter Plot between Economic Growth and IDX's Market Capitalization 1990-2019 (Source: The researcher calculate the data)

It already clear that both indicators above are representative. Then, the researcher

able to operate the data into Scatter Plot. According to the Scatter Plot above, there is seems a positive correlation between corporations' financial performance and economic growth since both of the data show the same pattern. Although on the left side there is a dot in negative line, it was happened in 1998, when Indonesia's economic growth was negative due to Asia Financial Crisis. Therefore, the dot on the left side is an anomaly since it was happened in an extraordinary condition.

Relay on the circumstance above, Scatter Plot able to show the correlation between corporations' financial performance and economic growth. Nonetheless, the researcher unable to conclude that there is any correlation between the indicators without methodologically and statistically tests towards the indicators. Hence, this researcher arranged this research to methodologically and statistically test the indicators.

## **RESEARCH METHODS**

This research is a study that uses regression analysis and uses economic growth as an indicator. Because the researcher uses regression analysis to measure the correlation among the variables, hence it is important to explain the regression model that used in this research. The type of regression analysis, which the researcher would uses in this research is simple linear regression analysis. The formulation of this kind of regression is:

$$Y = \alpha + \beta X$$

Which Y is y- coordinate,  $\alpha$  is y- intercept,  $\beta$  is slope, and X is x- coordinate. Until this step, the researcher already explained the the type of regression analysis to analysis the correlation between economic growth, as an independent variable, to corporations' financial performance those represented by ROA and ROE as dependent variables. According to the graphs above, it informs that there are two simple linear regression tests. The first is the test, which measuring how economic growth influences ROA of sampling corporations. The second test is measuring measuring how economic growth influences ROE those corporations. In sum, both of regression models represent the schemes of measurements.

Before the researcher start to analyze the research object through simple linear regression analysis, the researcher needs to explain the level of analysis to ascertain that the research analysis is on the right trach. The level analysis means the particular object of analysis on the research. In the context of this research, the level of analysis is measuring the correlation between economic growth and ROA of the companies and measuring the correlation between economic growth and ROE of the company. These measurements aimed to inquire how economic growth influences corporations' financial performance in term of ROA and ROE. Moreover, the researcher took the time juncture from 2013 to 2020. Hence, the correlation, in this research, means the correlations from 2013 to 2020, which each year the researcher splits the data into four quartiles. Hence, the researcher has thirty data.

## RESULTS AND DISCUSSION

### A. Analysis

#### 1. Regression Results

Table 1. Regression Results

Corporations	Eminent Codes	Economic Growth to ROA Sig. Value	Economic Growth to ROE Sig. Value
<b>Agriculture</b>			
Astra Agro Lestari, Tbk	AALI	0.003	0,001
Dharma Samudera Fishing Industry, Tbk	DSFI	0.000	0.000
Perusahaan Perkebunan London Sumatera, Tbk	LSIP	0.002	0.002
Sinar Mas Agro Resources, Tbk	SMAR	0.000	0.030
Bakrie Sumatera Plantations, Tbk	UNSP	0.000	0,284
<b>Basic Industry and Chemicals Sectors</b>			
Polychem Indonesia, Tbk	ADMG	0.003	0,329
Alaska Industrindo, Tbk	ALKA	0.002	0,098
Barito Pacific, Tbk	BRPT	0.032	0.01
Charoen Pokhand Indonesia, Tbk	CPIN	0,366	0.030
Indah Kiat Pulp and Paper, Tbk	INKP	0.000	0,000
Japfa Comfeed Indonesia, Tbk	JPFA	0.002	0,377
Semen Indonesia, Tbk	SMGR	0.043	0.026
	TKIM	0.002	0.030
<b>Consumer Goods Industry Sector</b>			
Akasa Wira International, Tbk	ADES	0.01	0,02
Gudang Garam, Tbk	GGRM	0,999	linearity
H.M. Sampoerna, Tbk	HMSP	0.000	0,66
Indofood Sukses Makmur, Tbk	INDF	0.034	0.030
Kalbe Farma, Tbk	KLBF	0.001	0,001
Mustika Ratu, Tbk	MRAT	0.001	0.03
Mayora Indah, Tbk	MYOR	0.043	0.026
Ultrajaya Milk Industry, Tbk	ULTJ	0.001	0.001
<b>Finance</b>			
Bank Central Asia, Tbk	BBCA	0.01	0,02
Bank Negara Indonesia, Tbk	BBNI	0.02	0.03
Bank Rakyat Indonesia, Tbk	BBRI	0.000	0.00
Bank Danamon, Tbk	BDMN	0.01	0.030
Bank Cimb Niaga, Tbk	BNGA	0.001	0,003
Bank Maybank Indonesia, Tbk	BNII	0.001	0.03
Bank Mayapada Internasional, Tbk	MAYA	0.043	0.026

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Bank Mega, Tbk	MEGA	0.001	0.001
Bank OCBC NISP, Tbk	NISP	0.001	0.001
Sinar Mas Multiartha, Tbk	SMMA	0.001	0.001
<b>Infrastructure, Utilities, and Transportation</b>			
Bukaka Teknik Utama, Tbk	BUKK	0.00	0.00
Indosat, Tbk	ISAT	0.002	0.03
ICTSI Jasa Prima, Tbk	KARW	0.023	0.010
Mitra International Resources, Tbk	MIRA	0.02	0.030
Samudera Indonesia, Tbk	SMDR	0.000	0,000
Telekomunikasi Indonesia, Tbk	TLKM	0.002	0.03
<b>Miscellaneous Industry</b>			
Astra International, Tbk	ASII	0.023	0.000
Gajah Tunggal, Tbk	GJTL	0.002	0.000
Indomobil Sukses International, Tbk	IMAS	0.03	0.01
Indo-Rama Synthetics, Tbk	INDR	0.000	0.02
Asia Pacific Fibers, Tbk	POLY	0.002	0.000
<b>Property, Real Estate and Building Construction</b>			
Sentul City, Tbk	BKSL	0.021	0.00
Ciputra Development, Tbk	CTRA	0.022	0.023
Fortune Mate Indonesia, Tbk	FMII	0.021	0.013
Kawasan Industri Jababeka, Tbk	KIJA	0.042	0.032
Lippo Karawaci, Tbk	LPKR	0.000	0,000
Plaza Indonesia Realty, Tbk	PLIN	0.002	0.03
Pakuwon, Tbk	PWON	0.031	0.04
<b>Trade, Service, and Investment</b>			
AKR Corporindo, Tbk	AKRA	0.023	0.000
Astra Graphia, Tbk	ASGR	0.002	0.000
Bayu Buana, Tbk	BAYU	0.03	0.01
MNC Investama, Tbk	BHIT	0.000	0.02
Bintang Semesta Raya, Tbk	BMSR	0.002	0.000
Global Mediacon, Tbk	BMTR	0.02	0.03
<b>Mining</b>			
Aneka Tambang, Tbk	ANTM	0.023	0.000
Vale Indonesia, Tbk	INCO	0.002	0.000
Mitra Investindo, Tbk	MITI	0.03	0.01
Petro Sea, Tbk	PTRO	0.000	0.02
Asia Pacific Fibers, Tbk	POLY	0.002	0.000

Source: Researcher analyzes the data through SPSS.

## 2. Agriculture

As explained above that the data would device into some sectors. The firs sector is agriculture. In this sector, the researcher took ten percent of corporations within as samples, including AALI, DSFI, LSIP, SMAR, and UNSP. All the sample passed Classic Assumption Tests such as Linearity, Normality, Heteroscedasticity, Outlier, and Autocorrelation Test. For the regression, both correlations, economic growth to ROA and economic growth to ROE are significant, with the value of Sig. Table less than 0.05. The table above informs that of all analysis, only UNSP for economic growth to ROA that peculiar compared to the others analysis results. On answering how this anomalous happened, the researcher tried to analyze the fundamental of the eminent. UNSP, according to its financial report, UNSP has been having minus net income since 2013. Moreover, relay on Indonesia Stock Exchange's website, this eminent is listed as problematic. Hence, it is clear that why the eminent is peculiar.

## 3. Basic Industry and Chemicals

For basic industry and chemical sector, the researcher took the sample ten percent corporations of the industry such as ADMG, ALKA, BRPT, CPIN, INKP, JAPFA, SMGR, and TKIM. For this sector, the researcher finds that for ADMG AND CPIN there are insignificant correlation for economic growth to ROA and economic growth to ROE. For ALKA there are there are insignificant correlation between economic growth to its ROE, so does JPFA. According to the table above, the researcher finds some insignificant correlations. Of those insignificances, most of them due to the corporations have been having negativity of net income since five previous years like ADMG. For ALKA, insignificant happened since the company's stock has been stagnant for ten years. For CPIN and JPFA, the reason is probably due to the fluctuation of chicken price.

## 4. Consumer Goods Industry

For Consumer goods industry, as the others sectors before, the researcher took ten percent sample of the industry. The sample there are ADES, GGRM, HMSP, INDF, KLBF, MRAT, MYOR, and ULTJ. In this sector, the researcher finds some insignificant such as GGRM for economic growth to ROA. HMSP for and economic growth to ROE. However, the rests are positively significantly correlated. The table above informs that for GGRM, there is insignificant correlation between economic growth and its ROA. Moreover, the researcher unable to continue for regression analysis for economic growth to ROE since it unfulfilled the linearity test. For HMSP, there are also insignificance in economic growth to ROE. Both of GGRM and HMSP are selling cigarettes, the prevalence commodity in Indonesia. Moreover, cigarettes are addictive things, so that people tend to consume whether in economic crisis or not. Hence, the business of both companies or much threatened by economic crisis. This reason reflects the financial report of the corporations those always growth, although in crisis. Hence, the companies' growth are better than economic growth, so the regression result is insignificant.

## 5. Finance

Ten percent companies sample of finance industry there are BBKA, BBNI, BBRI, BDMN, BNGA, BNII, MAYA, MEGA, NISP, and SMMA. For all of this sample, the correlation is significantly correlative. For all of those analysis above, all the correlation shows the significant result. It probably because the banking business deepens on the central bank monetary policies, and its policies rely on economic conditions. For example,

if economic is in good condition, the central bank gives normal interest for the banking industry, if economic is in crisis, it gives cheaper rates for that industry, and so on.

#### **6. The Others**

For Infrastructure, utilities, and Transportation, and the others sectors' results are significant.

#### **7. Hypotheses Tests**

From 118 hypotheses on this research, only seven are insignificant, and one is troublesome in linearity test. Hence, 110 hypotheses of this research is approved. According to this finding, the researcher concludes that economic growth positively significantly influences corporations' financial performances.

### **B. Discussion**

Generally, since the hypothesizes of this research are accepted, the research result are There are positive correlation between economic growth and corporations' Return on Asset (ROA), and There are positive correlations between economic growth and corporation's' Return on Equity (ROE) (Aryaningsih, Fathoni, & Harini, 2018). However, in some sectors, there are some analysis found that the correlations are insignificant like GGRM, HMSP, and UNSP. Especially for GGRM, the researcher finds linearity problem, so the researcher unable to do regression tests to examines the correlation between economic growth and its ROE.

In addition, both GGRM and HMSP are insignificant since this corporation have been performing better than economic condition, although economic in crisis or slowdown, the corporation still shows attractive financial performance. UNSP, however, the researcher found this insignificant since the corporations is troublesome, according to the Indonesia Stock Exchange. In sum, there are positive correlations between economic growth and corporations' Return on Asset (ROA), and There are positive correlations between economic growth and corporation's' Return on Equity (ROE).

Economic growth is not only theoretically able to boost the performance of business and industry, but also methodologically proven that it influences corporations' financial performances in term of ROA and ROE (Bahtiar, 2018). The researcher takes 59 companies as samples, then examines the correlations of economic growth to the companies' ROA and ROE through regression analysis. As already explained, the researcher finds significant correlations.

Moreover, it is not only about the theory has been tested, but also the fact that this correlation creates multiplier effects in Indonesia economy. If economic growth is in slow down, the negative multiplier effect would be happened. Hence, the government must maintain economic growth, since it is vital for business and industry.

## **CONCLUSION**

Economic growth is not only theoretically able to boost the performance of business and industry, but also methodologically proven that it influences corporations' financial performances in term of ROA and ROE. The researcher takes 59 companies as samples, then examines the correlations of economic growth to the companies' ROA and ROE through regression analysis. As already explained, the researcher finds significant correlations.

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