

The Effect of Operating Cost Management and Business Revenue on Return On Equity

Tanna Rizqya Putri¹, Badriyatul Huda²

¹Sharia Business Management, Universitas Ma'soem, Indonesia

²Sharia Banking, Universitas Ma'soem, Indonesia
badriyatulhuda123@gmail.com

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ABSTRACT

The hotel industry faces increasingly competitive conditions that require effective operational cost management and revenue optimization to maintain financial performance. Emaki Hotel Jatinangor experienced fluctuations in operational costs and business revenue during the 2021–2025 period, which were accompanied by changes in Return On Equity (ROE). The purpose of this study is to ascertain how business income and operational cost control, both partially and concurrently, affect ROE at the Emaki Hotel Jatinangor. Using secondary data from the hotel's financial reports for the years 2021–2025, this study used an associative quantitative approach. Multiple regression, multiple correlation, coefficient of determination, t-test, and F-test were used to assess the data that were gathered through literature review and documentation. With a coefficient of determination of 70% and a t-value of 3.480, which is higher than the t-table value of 3.182, the results show that operational cost management has a favorable and significant impact on ROE. With a t-value of 3.300 and a coefficient of determination of 76.5%, business revenue likewise significantly and favorably affects ROE. With a multiple correlation coefficient of 0.983 and a coefficient of determination of 96.6%, operational cost management and business revenue both significantly impact ROE at the same time. The F-test yields an F-value of 18.450, which is higher than the 3.354 F-table value. These results suggest that increasing the efficiency of equity usage at the Emaki Hotel Jatinangor requires careful consideration of operational cost management and business income.

Keywords : Costs; Hospitality; Operations; Revenue; ROE.

INTRODUCTION

The tourism and hospitality sector is one of the service business fields that grows along with increasing public mobility for various purposes, including business travel, recreation, and educational activities. The development of this industry encourages hospitality companies to maintain their financial performance and business continuity amid competition. In the context of the hotel industry, operating cost management and revenue are important because both relate to the company's ability to generate profit. Research on revenue and operating costs shows that both variables are related to the company's net profit [1].

Emaki Hotel Jatinangor is the hotel that serves as the object of this research. The study uses the financial statements of Emaki Hotel Jatinangor for the 2021–2025 period to analyze the effect of operating cost management and business revenue on Return On Equity (ROE). ROE is used as an indicator to assess the company's ability to generate profit based on its own capital.

Operating cost management is an important aspect of hotel business activities because operational activities require expenditures to support the company's services and activities. Research at Hotel Grand Wijaya Singaraja shows that operating costs affect net profit, both partially and jointly with room sales volume [2]. This finding shows that operating cost management is related to profit performance in hospitality companies.

Business revenue is an important part of a company's operational activities, alongside operating expenses. According to Kartini's research [3], the net profit of service companies in the hotel, restaurant, and tourism subsector listed on the Indonesia Stock Exchange is influenced by business revenue and operating costs. Likewise, Mutiara's research shows that although operating costs have an inverse relationship with net profit, revenue also influences that net profit. [1].

Data from Emaki Hotel Jatinangor show variation in operating costs from 2021 to 2025. In the first semester of 2021, operating costs were recorded at Rp195,000,000; this figure rose to Rp225,000,000 in the second semester. Operating costs in 2022 were Rp265,000,000 in the second semester and Rp230,000,000 in the first semester. These costs rose to Rp245,000,000 in the second semester of 2023 after briefly falling to Rp215,000,000 in the first semester. The year 2024 recorded the largest increase, with figures of Rp315,000,000 in the first semester and Rp365,000,000 in the second semester. Operating costs in 2025 fell to Rp285,000,000 in the first semester, then rose again to Rp325,000,000 in the second semester.

During the study period, operating revenue also fluctuated. Operating revenue increased to Rp620,000,000 in the second semester of 2021 from Rp525,000,000 in the first semester. Revenue rose to Rp1,000,000,000 in the second semester and Rp850,000,000 in the first semester of 2022. Revenue increased to Rp770,000,000 in the second semester of 2023 after briefly falling to Rp650,000,000 in the first semester. Revenue increased significantly in 2024, reaching Rp2,250,000,000 in the first semester and Rp2,670,000,000 in the second semester. Revenue fell to Rp1,900,000,000 in the first semester of 2025, then increased to Rp2,250,000,000 in the second semester. These changes in operating costs and business revenue were also followed by changes in ROE. The ROE of Emaki Hotel Jatinangor was 14.38% in 2021, increased to 22.29% in 2022, then fell to 14.24% in 2023. In 2024 ROE increased to 60.36% and declined again to 43.57% in 2025.

The relationship between operating expenses, revenue, and financial performance has been the subject of various studies. According to the research of Zamsy and Ibrahim [8], operating costs significantly reduce net profit, while sales volume significantly increases it. Meanwhile, Nabila and Ridwan found that net profit is jointly influenced by revenue, operating costs, and interest expenses. [7].

Based on a study by Aditarina, Yudiaatmaja, and Cipta, ROE in the hotel, restaurant, and tourism sector is significantly influenced by the current ratio, debt-to-equity ratio, and net profit margin together [4]. The study by Sukma, Nurtina,

and Nainggolan also examined profitability measured through ROE in the hotel and tourism subsector, and found a simultaneous effect of firm size and debt structure variables on ROE [6]. The study by Maheni, Widnyana, and Gunadi on hotel and restaurant companies also used ROE as one of the variables in analyzing profit growth [5]. The results of these previous studies show that ROE is a relevant indicator for analyzing the financial performance of companies in the hotel and tourism sector.

The state of the art in hotel profitability research shows a move from single-ratio analysis toward multidimensional explanations. Menicucci [11] measured the profitability of 2,366 Italian hotels over 2008–2016 using return on equity, return on assets, occupancy rate, and gross operating profit per available room, and found that the financial crisis, business model, and ownership structure affect profitability, with size, internationalization, location, and chain affiliation having a positive influence. Zaki and Qoura [12] reported that size, capacity, star rating, hotel type, managers' experience, and sustainability practices are the main profitability determinants of Egyptian hotels. Bresciani, Thrassou, and Vrontis [16] also examined whether size, category, and variety of services influence performance in the Italian hotel industry.

A second stream of research focuses on revenue drivers and operating performance. O'Neill and Mattila [13], using more than 1,900 U.S. hotels in 2002 and 2003, found that net operating income percentage is most closely tied to occupancy, while average daily rate, market segment, property age, and brand affiliation also matter. Xiao, O'Neill, and Mattila [14] showed that brand affiliation has a consistently larger impact on hotel revenue and profit than other corporate strategies, and Harris and Mongiello [15] studied the key performance indicators that hotel general managers in Europe use for decision-making. From the accounting perspective, cost accounting theory treats cost control as a direct determinant of profit [17], while ROE is generally understood as the company's ability to generate profit from its own capital [9], [18].

In the Indonesian context, the studies reviewed above mostly relate revenue and operating costs to net profit [1]–[3], [7], [8], while studies that involve ROE mostly examine financial ratios, capital structure, or firm size [4]–[6]. Based on these studies, the joint effect of an operating cost indicator (cost per occupied room) and an operating revenue indicator (occupancy rate) on ROE in a single hotel has received little attention. This is the gap that this study addresses.

Various studies on operating costs, revenue, and ROE have been conducted on diverse topics based on previous research. However, this analysis focuses on how operating revenue and cost control affect ROE at Emaki Hotel Jatinangor in the 2021 to 2025 period. This specific focus is what distinguishes this study.

Based on the above description, the purpose of this study is to determine how operating revenue affects ROE, how operating cost management affects ROE, and how operating revenue and operating cost management affect ROE simultaneously at Emaki Hotel Jatinangor.

METHOD

Study uses a quantitative technique and an associative research design. The quantitative approach is used because the research data consist of numerical values obtained from financial statements, while the associative design is used to determine This the relationship and effect of operating cost management and business revenue on Return on Equity (ROE). This design follows the quantitative associative approach described by Sugiyono [10]. This study uses secondary data. The data source is the financial statements of Emaki Hotel Jatinangor for the period 2021 to 2025. The data used include operating expenses, business revenue, equity capital, profit after tax, and other supporting data needed to measure the research variables.

Literature study and documentation were used to collect data. The literature study covers a review of books, journals, and other library sources relevant to the research variables. Meanwhile, documentation analysis involves collecting and examining the financial statement records of Emaki Hotel Jatinangor for the 2021–2025 period. The financial records of Emaki Hotel Jatinangor constitute the population of this study. The research sample consists of the financial statements of Emaki Hotel Jatinangor for the 2021–2025 period, which include information on operating costs, operating revenue, and ROE.

The dependent variable in this study is Return On Equity (Y), while the independent variables are company revenue (X_2) and operating cost management (X_1). Operating cost management is measured using Cost Per Occupied Room (CPOR) with the formula:

$$\text{CPOR} = \frac{\text{Total Operating Costs}}{\text{Number of Rooms Sold}} \times 100\% \quad (1)$$

Business revenue is measured using Occupancy Rate with the formula:

$$\text{Occupancy Rate} = \frac{\text{Number of Rooms Sold}}{\text{Total Rooms Available}} \times 100\% \quad (2)$$

Meanwhile, Return On Equity (ROE) is calculated with the formula:

$$\text{ROE} = \frac{\text{Profit After Tax}}{\text{Equity Capital}} \times 100\% \quad (3)$$

The corresponding variable values were obtained through measurement and then analyzed statistically. The data were analyzed using Statistical Product and Service Solutions (SPSS). The analysis techniques used include multiple linear regression analysis, multiple correlation analysis, the coefficient of determination, the t-test, and the F-test. The effect of business revenue and operating cost management on ROE was determined through multiple linear regression analysis. The regression model used is:

$$Y = a + b_1X_1 + b_2X_2 + e \quad (4)$$

Where:

Y = Return On Equity.

a = constant.

b_1 = regression coefficient of operating cost management.

b_2 = regression coefficient of business revenue.

X_1 = operating cost management.

X_2 = business revenue.

e = error.

The partial effect of each independent variable on ROE was determined using the t-test. The simultaneous effect of operating revenue and cost control on ROE was determined using the F-test. A significance level of 5% ($\alpha = 0.05$) was used for these tests. The interpretation of the t-test, F-test, and coefficient of determination follows Ghozali [19].

RESULTS AND DISCUSSION

Condition of Operating Cost Management, Business Revenue, and ROE

Based on the financial statement data of Emaki Hotel Jatinangor for the 2021–2025 period, operating expenses, operating revenue, and *Return on Equity* (ROE) varied during the study period. Operating expenses increased between 2021 and 2024, but decreased in the first semester of 2025 before rising again in the second semester of 2025. Business revenue also showed a fluctuating pattern. Revenue increased in 2022, then decreased in 2023. A fairly large increase occurred in 2024, before declining in the first semester of 2025 and increasing in the second semester of 2025. The changes in operating costs and business revenue were followed by changes in ROE. ROE was recorded at 14.38% in 2021, increased to 22.29% in 2022, then decreased to 14.24% in 2023. In 2024 ROE increased to 60.36%, then decreased to 43.57% in 2025.

The pattern shows that ROE did not move in line with operating costs alone. In 2024, operating costs reached their highest level (Rp315,000,000 in the first semester and Rp365,000,000 in the second semester), but business revenue also reached its highest level (Rp2,250,000,000 and Rp2,670,000,000), and ROE rose to 60.36%. In 2023, by contrast, costs were lower (Rp215,000,000 and Rp245,000,000), revenue was only Rp650,000,000–Rp770,000,000, and ROE fell to 14.24%. This suggests that the rise in costs in 2024 was accompanied by a much larger rise in revenue, so that profit relative to equity increased. This is in line with O'Neill and Mattila [13], who found that hotel profitability is closely tied to occupancy, and with Menicucci [11], who argues that hotel profitability has to be read through several indicators rather than one.

In 2025, costs fell in the first semester (Rp285,000,000) and rose again in the second semester (Rp325,000,000), while revenue fell to Rp1,900,000,000 and then recovered to Rp2,250,000,000. ROE declined to 43.57%, which is lower than in 2024 but still far above the 2021–2023 level. These fluctuations show why cost and revenue need to be analyzed together, which is done in the following sub-sections.

The Effect of Operating Cost Management on ROE

Based on the test results, the calculated t-value obtained is 3.480, while the t-table value is 3.182. Operating cost management is proven to have an effect on ROE because the calculated t-value is greater than the t-table value. The effect is significant because the significance value of 0.038 is below the threshold of 0.05. Based on the coefficient of determination (R-squared) of 0.700 or 70%, operating cost management contributes 70% to ROE in the partial test, while the remaining 30% is due to factors outside the variables studied. These results show that operating

expense control is related to Emaki Hotel Jatinangor's ability to generate returns on equity. For operating expenses to remain aligned with the company's ability to generate revenue, effective cost management is essential.

The findings of this study are consistent with the research of Dewi, which showed how operating expenses at Hotel Grand Wijaya Singaraja affect net profit [2]. According to the research of Zamsy and Ibrahim [8], operating costs have a major impact on net profit. Thus, the conclusion of this study highlights how important cost control is to the financial success of a business.

The direction of this relationship needs careful reading. The positive sign does not mean that spending more will automatically raise ROE. In the hotel's data, operating costs were highest in 2024, when revenue and ROE were also highest, so the two moved in the same direction because the costs were followed by revenue growth large enough to offset them. Cost accounting theory [17] and previous studies [2], [8] generally expect higher operating costs to reduce profit when revenue does not increase accordingly, so the result here should be read as co-movement in the observed period rather than as proof that higher costs cause higher ROE.

This also explains the difference from Zamsy and Ibrahim [8], who found that operating costs reduce net profit. The difference is likely related to the profit measure used (net profit versus ROE), the object of study (food and beverage companies listed on the Indonesia Stock Exchange versus a single hotel), and the fact that costs and revenue grew together at Emaki Hotel Jatinangor. The 70% coefficient of determination shows that cost management has strong explanatory power for ROE, but 30% is still explained by other factors. In practice, management should focus cost control on efficiency per occupied room and avoid cost growth that is not followed by revenue growth.

The Effect of Business Revenue on ROE

The t-table value is 3.182, while the calculated t-value in the partial test results is 3.300. It is concluded that business revenue affects ROE because the calculated t-value is greater than the t-table value. This effect is significant, as indicated by the significance value of 0.038 (< 0.05). The coefficient of determination of 0.765 (or 76.5%) in the partial test shows that business revenue contributes 76.5% to ROE, while the remaining 23.5% comes from sources outside the variables studied.

Operating revenue is an important part of a hotel's operational activities. Business profitability, which relates to the return on equity, can be increased through higher revenue. These findings are consistent with Mutiara's study, which showed how revenue affects net profit [1]. In addition, Kartini's research showed how operating revenue and expenses affect net profit in service businesses in the hotel, restaurant, and tourism subsector [3].

The positive effect matches the logic of the hotel business. Hotel revenue is driven mainly by rooms sold, which is the indicator used here (occupancy rate), and many hotel costs, such as building, staff, and utilities, are generally fixed in the short run. Additional occupied rooms therefore tend to increase profit faster than costs, which raises the return on the owner's capital. O'Neill and Mattila [13] similarly

found that net operating income percentage is most closely tied to occupancy, and Menicucci [11] included occupancy rate as one dimension of hotel profitability.

The coefficient of determination of revenue (76.5%) is higher than that of cost (70%), which suggests that in this hotel, movements in revenue explain ROE slightly better than movements in cost. This agrees with Mutiara [1] and Kartini [3], who found that revenue affects net profit. However, occupancy is not the only revenue driver: O'Neill and Mattila [13] also point to average daily rate, and Xiao, O'Neill, and Mattila [14] to brand affiliation. Occupancy alone therefore does not capture every source of revenue, and this is a limitation of the present measurement. Practically, the drop in revenue to Rp1,900,000,000 in the first semester of 2025 indicates that the hotel needs to maintain occupancy in low periods, for example by targeting business, education-related, and recreational guests.

The Effect of Operating Cost Management and Business Revenue on ROE

A simultaneous test was conducted to determine the combined effect of company revenue and operating cost control on ROE. The F-table value is 3.354, while the calculated F-value is 18.450. Because the calculated F-value is greater than the F-table value, the two independent factors simultaneously affect ROE. The simultaneous effect of business revenue and operating cost management on ROE is significant, as the significance value is $0.001 < 0.05$.

Operating cost management, business revenue, and ROE are very closely related, as evidenced by the multiple correlation coefficient of 0.983 in the analysis. This study reports a simultaneous coefficient of determination of 96.6%, with the remaining 3.4% attributable to other factors that were not studied. These findings indicate that to improve the financial performance of Emaki Hotel Jatnangor, the management of operating expenses and company revenue needs to be handled simultaneously. For revenue growth to contribute to profit and return on equity, it must be balanced by adequate cost management. These findings are consistent with Mutiara's study, which showed that operating costs and revenue simultaneously affect net profit [1]. In addition, according to the research of Aditarina, Yudiaatmaja, and Cipta, financial factors can jointly affect ROE in the hotel, restaurant, and tourism sector [4].

The simultaneous coefficient of determination (96.6%) is much higher than either partial coefficient (70% and 76.5%), which shows that the two variables complement each other in explaining ROE: revenue shows how much the hotel earns, while cost management shows how much of it is retained as profit. This result is consistent with Mutiara [1] and Aditarina, Yudiaatmaja, and Cipta [4], who found that several financial factors jointly affect profit and ROE, and with Menicucci [11], who found that hotel profitability is explained by several factors at once.

For management, this means that targets for revenue and cost should be set and monitored together, for example by tracking occupancy rate and cost per occupied room every semester, as suggested by the use of multiple indicators in hotel performance measurement [15]. The data support this: ROE was highest when revenue expanded strongly (2024) and lowest when revenue was low (14.24% in 2023). The remaining 3.4% is explained by other factors, such as average daily rate

[13], brand affiliation [14], and capital structure [6], which can be added in future research.

CONCLUSION

The following conclusions can be drawn from the research on the effect of business revenue and operating cost management on Return on Equity (ROE) at Emaki Hotel Jatinangor for the 2021–2025 period:

1. At Emaki Hotel Jatinangor, operating cost management has a significant and positive effect on ROE. This is shown by the calculated t-value of 3.480 – which is higher than the t-table value of 3.182 – and the significance value of 0.038 (< 0.05).
2. At Emaki Hotel Jatinangor, operating revenue has a significant and positive effect on ROE. This is shown by the calculated t-value of 3.300 with a significance value of $0.038 < 0.05$, which is greater than the t-table value of 3.182.
3. The ROE of Emaki Hotel Jatinangor is significantly influenced by operating expense management and business revenue simultaneously. This is shown by the significance value of 0.001 (less than 0.05) and the calculated F-value of 18.450, which is higher than the F-table value of 3.354. Both independent variables have a very strong relationship with ROE, as seen from the multiple correlation coefficient of 0.983.

Based on the research results, Emaki Hotel Jatinangor is expected to maintain effective and efficient operating cost management and to increase business revenue sustainably. Cost control needs to be carried out while continuing to pay attention to the hotel's operational needs so that revenue growth can contribute optimally to financial performance and ROE.

In addition to using a longer study period and a broader scope of research subjects, future research can be developed by including other variables that may affect ROE. This approach is expected to provide a more comprehensive picture of the variables that affect financial success in the hospitality sector.

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