ROI VS ROE

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Return on Investment		Return on Equity
ROI measures the profitability of an investment relative to its cost. It calculates the percentage return on a specific investment over a period.	**Definition**	ROE measures the profitability of a company in generating profit from shareholders' equity. It reflects how effectively management is using a company's assets to create profits.
$\mathrm{ROI} = \left(\frac{\text{Net Profit}}{\text{Cost of Investment}}\right) \times 100$	**Formula**	$\mathrm{ROE} = \left(\frac{\text{Net Income}}{\text{Shareholders' Equity}}\right) \times 100$
Helps investors and businesses evaluate the efficiency and profitability of individual investments or compare the profitability of multiple investments.	**Purpose**	Indicates how well a company is using the investors' capital to generate income. Higher ROE values generally indicate more efficient use of equity.
Commonly used to assess the performance of various investments like stocks, projects, marketing campaigns, and more.	**Usage**	Typically used by shareholders and potential investors to gauge the profitability and management efficiency of a company.
Focuses on the return generated on a specific investment.	**Scope**	Looks at the overall profitability generated from the shareholders' equity of the entire company.
Can be applied to individual projects, investments, or business units.	**Perspective**	Provides a holistic view of a company's profitability from the shareholders' perspective.
Useful for both internal and external stakeholders evaluating specific investments.	**Stakeholders**	Primarily of interest to shareholders and investors analyzing company performance.
If you invest \$10,000 in a marketing campaign and it generates \$15,000 in net profit, the ROI would be: $\mathrm{ROI} = \left(\frac{15,000 - 10,000}{10,000}\right) \times 100 = 50\%$	**Example**	If a company has a net income of \$200,000 and shareholders' equity of \$1,000,000, the ROE would be: $\mathrm{ROE} = \left(\frac{200,000}{1,000,000}\right) \times 100 = 20\%$