

THE EFFECT OF BANK PROFITABILITY, NON PERFORMING LOAN AND BANK LIQUIDITY ON COMMERCIAL BANK VALUE ON THE INDONESIAN STOCK EXCHANGE PERIOD 2016 -2022

David Soehartanto and Indra Siswanti

Mercu Buana University

dsoehartanto@gmail.com

Abstract. *This study aims to analyze the effect of Bank Profitability, Non-Performing Loans and Bank Liquidity on the Value of Commercial Banks Listed on the Indonesia Stock Exchange for the 2016 - 2022 period. The populations in this study were all Commercial Bank companies listed on the IDX for the 2016 - 2022 periods, totaling 40 companies. . Then, the samples were analyzed using purposive sampling method to obtain 21 companies. The analytical method used is panel data regression with Eviews 10 software. The results show that bank profitability has a positive and significant effect on the value of Commercial Banks listed on the IDX, non-performing loans have a negative and significant effect on the value of Commercial Banks listed on the IDX, and liquidity does not have a significant effect on the value of Commercial Banks listed on the IDX.*

Keywords: *Bank Value; Bank Profitability; Non-Performing Loan; Bank Liquidity*

INTRODUCTION

The banking sector has a big role in moving the wheels of the national economy. All economic activities involve the role of banking. Broadly speaking, banking has four roles in the economy, namely, carrying out transmission functions, collecting and distributing funds, transforming and distributing risks in an economy and instruments to stabilize economic conditions. As a financial institution service, one of the real roles of banks is that of intermediary or channeling funds to people who need capital. The distribution of these funds indirectly plays a role in driving the community's economy.

The banking sector is also getting more attention from shareholders to invest. This is proven by the total trading value which shows the total number of shares traded in a period, the banking sector has the largest total trading value among other sectors (Saputra et al., 2020). Increasingly tight business competition requires every company to increase company value. Company value can be achieved by improving financial performance.

Factors that influence the company value of a bank include return on assets (ROA), high profitability reflects high company value, with a high company value it makes potential investors interested in investing (Aprilia & Hapsari, 2021). Another factor that influences the company value of a bank is business risk. With high risk, the expected income is also high, in this case the measurement is carried out using the non-performing loan (NPL) ratio and also loan to deposit (LDR) (Priharta et al., 2023)

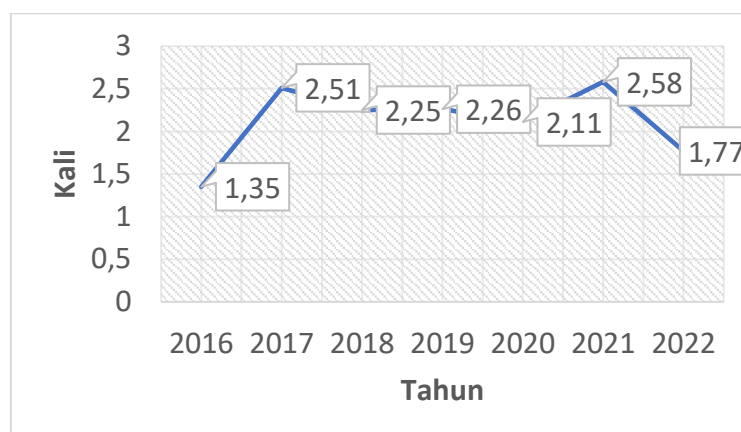


Figure 1. Development of price to book value (PBV) of commercial banks in Indonesia listed on the Indonesia Stock Exchange for the 2016-2022 period

Based on Figure 1, the average price to book value (PBV) of commercial banks listed on the Indonesia Stock Exchange for the 2016-2022 period shows a fluctuating movement that tends to decrease. Although there was an increase in 2021 of 2.58. However, price to book value (PBV) will decline again in 2022 at 1.77. Fluctuations in price to book value from 2016-2022 are certainly a phenomenon because banking is a financial industry that is widely used by Indonesian people, so the low price to book value raises many questions among economic observers, especially investors who look at stocks with price to book value. low on pessimism.

Based on the background and previous research, the researcher took the title "The Influence of Bank Profitability, Non Performing Loan and Bank Liquidity on Company Value in Commercial Banks listed on the Indonesia Stock Exchange for the 2016-2022 Period.

According to Brigham & Houston (2019) the value of a bank is the present value of future free cash flow at a discount rate according to the weighted average cost of capital. Hery (2020) adds that the value of the Bank is the actual value per share that will be received if the Bank's assets are sold at the share price.

Kasmir (2019) explains that profitability is the bank's ability to earn profits expressed as a percentage. Profitability is considered very important for the survival of the Bank. High profitability can support the Bank's operational activities optimally. According to Darmawan (2020), the Bank's profitability ratio measures the effectiveness of management as a whole, which is determined by the size of the level of profit obtained in relation to sales and investment.

According to Andrianto et al. (2019) problem loans, namely experiencing difficulties in settling their obligations to the bank, both in the form of principal repayment, interest payments and payment of bank fees which are borne by the debtor customer concerned. According to Desda & Yurasti (2019), problem credit is all credit that contains high risk and problem credit is also credit with substandard, doubtful and bad quality. The number of problem loans can be determined by knowing the causes of problem loans and rescuing problem loans.

According to Hamdi & Herianingrum (2022), liquidity is an indicator of a bank's ability to pay short-term financial obligations at maturity using its current assets. In banking, liquidity is one of the important things in maintaining public trust in the bank. For this reason, every bank that operates strictly maintains its liquidity so that it is in an ideal position. Meanwhile, the definition of liquidity according to Subramanyam (2019) is the ability of a bank to fulfill its financial obligations in the short term, or the company's ability to fulfill its financial obligations when they are billed.

Companies that are able to generate large and stable profits will attract investors, because they will automatically benefit investors. The bank's large ability to generate profits

also shows good company management, thereby fostering confidence in investors. This investor confidence can ultimately be the most effective instrument for raising bank share prices. An increase in share price means increasing the value of the Bank, so that it can further ensure shareholder prosperity (Utami, 2021).

H1 = Bank profitability has a positive and significant effect on the value of commercial banks listed on the IDX

Banks that perform well are banks that are able to reduce NPLs. On the other hand, banks that have not performed well are banks that have not been able to reduce NPLs. The bank's ability to suppress NPLs will increase share prices so that company value is high. Banks that fail to reduce NPL will result in a decline in share prices so that the value of the company also decreases. Therefore, NPL is related to company value (Dentika et al., 2021).

H2 = Non-performing loans have a negative and significant effect on the value of commercial banks listed on the IDX

A bank with a high level of liquidity indicates that the company has a large ability to pay its short-term obligations on time. A company that can immediately fulfill its financial obligations means that it has good financial performance so that the company has the opportunity to disclose wider information, such as environmental and social information, and create a positive image that can enable stakeholders to always be on the company's side or support it. the company (Sugiyanto & Setiawan, 2019).

H3 = Bank liquidity has a positive and significant effect on the value of commercial banks listed on the IDX

The frame of mind describes the relationship of the independent variables, in this case namely Bank profitability, Non-performing loans and Bank liquidity towards the dependent variable, namely Bank Value, which can be described as follows:

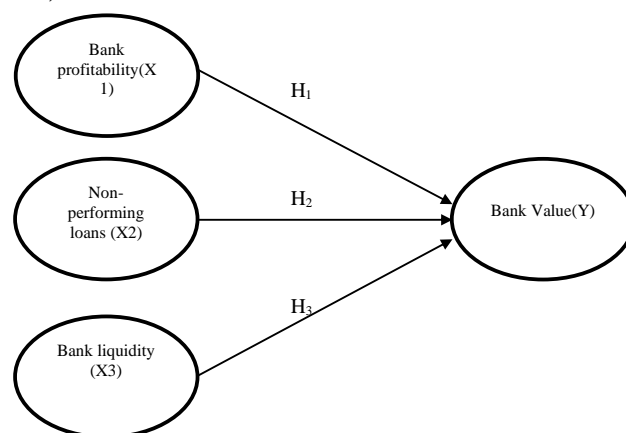


Figure 2. Research Framework

LITERATURE REVIEW

METHOD

The research design used by the author in this research uses causal research (Sugiyono, 2018). The population in this research is all Commercial Bank companies registered on the BEI for the 2016 - 2022 period, totaling 40 companies.

The sample was then adjusted according to predetermined criteria and obtained a sample of 21 companies using purposive sampling technique with the following criteria: (1) Commercial Banks Listed on the Indonesian Stock Exchange in 2016 – 2022, (2) Commercial Banks delisted in 2016 – 2022, (3) Commercial Banks that do not report data according to research variables, and (4) Commercial Banks that use Dollar Currency Units

The data used in this research is secondary data. The secondary data in this research is Annual Report data and company financial reports that have been audited by independent auditors. This research uses multiple linear regression methods with panel data to analyze the magnitude of the influence of independent variables on the dependent.

RESULTS AND DISCUSSION

Descriptive Statistics. Descriptive statistical tests are used to determine the mean, median, minimum, maximum and variance values of data. The following are the results of descriptive statistical tests in this research

Tabel 1. Descriptive Statistics Test Results

	PBV	ROA	NPL	LDR
Mean	1.844150	0.526259	8.328912	102.4339
Median	1.420000	0.900000	3.100000	84.01000
Maximum	16.75000	3.250000	142.3500	1129.770
Minimum	0.240000	-18.06000	0.040000	2.530000
Std. Dev.	1.606979	0.510225	7.98354	101.6723
Observations	147	147	147	147

Based on table 1, it is known that the total number of observation data is 147 data (21 companies for the period 2016 - 2022) and there is no missing data (all data has been successfully processed). When measuring the value of the Bank through price to book value (PBV), it is known that the resulting average value is 1.84. This shows that the share price per share of commercial banks in Indonesia is 1.84 times the book value per share. This means that the market is assessing this Commercial Bank by considering the assets and liabilities recorded on the Commercial Bank's balance sheet. Then, the bank with the lowest score is PT. Bank OCBC NISP Tbk in 2021 amounted to 0.24. Meanwhile, the bank with the highest score was obtained by PT. Bank Rakyat Indonesia Agroniaga Tbk in 2021 amounted to 16.75.

When measuring Bank profitability through Return on Assets (ROA), it is known that the resulting average value is 0.52%. This shows that Commercial Banks in Indonesia are able to generate profits from managing bank assets in the "Fairly Healthy" category (0.5% - 1.25%). Then, the bank with the lowest profitability was obtained by PT. Bank Rakyat Indonesia Agroniaga Tbk in 2021 was -18.06%. Meanwhile, the bank with the highest profitability was PT. Bank Mestika Dharma Tbk in 2021 is 3.25%.

In measuring non-performing loans through Non-Performing Loans (NPL), it is known that the resulting average (mean) value is 8.32%. This shows that Commercial Banks in Indonesia have financial risks in the "Unhealthy" category (> 8%). Then, the bank with the lowest non-performing loans is PT. Bank Tabungan Negara (Persero) Tbk in 2016 amounted to 0.04%. Meanwhile, the bank with the highest non-performing loans is PT. Bank MNC International Tbk in 2017 amounted to 142.35%.

When measuring bank liquidity through the Loan to Deposit Ratio (LDR), it is known that the resulting average (mean) value is 102.43%. This shows that Commercial Banks in Indonesia have a liquidity level in the "Less Healthy" category (100% - < 120%). Then, the bank with the lowest level of liquidity is PT. Bank Bukopin Tbk in 2021 amounted to 2.53%. Meanwhile, the bank with the highest level of liquidity is PT. Banten Regional Development Bank Tbk in 2022 amounting to 1129%.

Panel Data Regression Estimation. Before testing the influence between variables, it is necessary to select the approach used in panel data regression analysis.

Tabel 2. Model Suitability Conclusions

No	Method	Test	Result
1	<i>Chow test</i>	CEM vs FEM	FEM

2	<i>Hausmantest</i>	FEM vs REM	FEM
3	<i>lagrange multiplier test</i>	REM vs CEM	REM

Based on Table 2, it is known that the estimation of the panel data regression model means that the Fixed Effect Model has been selected 2 (two) times, namely in the Chow test and the Hausman test. Meanwhile, the Random Effect Model was only selected in the Lagrange multiplier test. So the Fixed Effect Model was chosen in this research.

Hypothesis Testing. The t test is used to test the influence of independent variables on the dependent variable partially or individually. The results of the t test calculation (partial) can be seen in the table below

Tabel 3. t Test Result

Hyphothesis	T hitung	T tabel	Result
H1	8,941	1,976	Positive-Significant
H2	-3,563	1,976	Negative-Significant
H3	0,101	1,976	Not Significant

Based on the results of the independent variable significance test (t test), it is known that bank profitability has a positive and significant effect on bank value. This is because the tcount value is $8.941 > t_{table}$ is 1.976 and the probability is $0.000 < 0.05$. So it can be concluded that Hypothesis 1 is accepted, namely that bank profitability has a positive and significant effect on bank value.

Based on the results of the independent variable significance test (t test), it is known that Problem Loans have a negative and significant effect on Bank Value. This is because the tcount value is $-3.563 > t_{table}$ is 1.976 and the probability is $0.000 < 0.05$. So it can be concluded that Hypothesis 2 is accepted, namely that Problem Loans have a negative and significant effect on Bank Value

Based on the results of the independent variable significance test (t test), it is known that liquidity has no significant effect on bank value. This is because the tcount value is 0.101 $< t_{table}$ is 1.976 and the probability is $0.919 > 0.05$. So it can be concluded that Hypothesis 3 is rejected, namely that liquidity has no significant effect on bank value

Discussion. The research results show that profitability has a positive and significant effect on the value of commercial banks listed on the IDX. Therefore, the better the profitability of a bank will increase the value of the bank. Increasing profitability is usually considered a positive factor that can improve market perceptions of bank performance. This may encourage investors and shareholders to view the bank more favorably and may contribute to an increase in the value of the bank's shares in the market. Banks that generate consistent profits and grow in their performance tend to gain more trust from investors. This can encourage demand for bank shares, which in turn can lead to an increase in the value of a bank. The results of this research are in line with research conducted by Sulastiningsih & Sholihati (2018) and Ardianingtyas (2020) that profitability has a positive and significant effect on Bank Value.

The research results show that non-performing loans have a negative and significant effect on the value of commercial banks listed on the IDX. Therefore, the higher the non-performing loans of a bank will significantly reduce the value of a bank. Negative signals such as non-performing loans can reduce investor confidence in the bank. This can result in a decrease in demand for bank shares, which in turn can affect the bank's value in the market. If a bank experiences non-performing loans or a significant increase in credit risk, this can be a negative signal to the market. This can indicate that the bank may have problems managing its credit risk or has an unhealthy credit portfolio. The results of this research are in line with research conducted by Maimunah & Fahtiani (2019) and Syah et al. (2022) Non-performing loans have a negative and significant effect on bank value.

The research results show that liquidity does not have a significant effect on the value of commercial banks listed on the IDX. So liquidity is not an important factor in the movement of a bank's value. This shows that investors are concerned about the liquidity risk of a bank, because if the LDR is too high, the bank has the potential to have difficulty providing funds to the public, which can be exacerbated by the high level of debtor failure to pay obligations. Therefore, the management of a Bank needs to maintain its liquidity level so that it is neither too high nor too low so that a Bank's liquidity does not significantly affect the value of a Bank. The results of this research are in line with research conducted by Sugianto et al. (2020) and Fitriani & Lasmanah (2022) that liquidity has no significant effect on Bank Value.

CONCLUSION

Based on the research results, it is known that profitability has a positive and significant effect on the value of commercial banks listed on the BEI in 2016 - 2022, non-performing loans have a negative and significant effect on the value of commercial banks listed on the BEI in 2016 - 2022, liquidity has no significant effect on the value of banks. General listed on the IDX 2016 – 2022.

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