



The Influence of Credit Risk, Operational Efficiency, Liquidity, and Profitability on Company Value (Empirical Study on Banking Subsector Companies on the Indonesia Stock Exchange for the 2021-2024 Period)

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ABSTRACT

The stock price, a gauge of firm value, reflects the market's assessment of the company's performance and prospects for the future. The company's high value indicates that investors have faith in management's capacity to allocate resources and promote sustained expansion. This study aims to investigate the relationship between credit risk, profitability, liquidity, and operational efficiency and corporate value. The study's population consists of the 40 banking subsector companies that were listed on the Indonesia Stock Exchange between 2021 and 2024. The sample strategy used in this study was non-probability sampling utilizing saturation sampling methodology. Data is taken from the company's financial filings for 2021-2024. The data analysis approach used in this study was multiple linear regression analysis using SPSS software. The results showed that while profitability has a positive effect on firm value, operational effectiveness and liquidity have a negative effect, and credit risk has no effect at all. The study's conclusions can lead the development of investment plans that provide the highest rate of return and provide a basis for strategic decisions relating to initiatives to increase business value.

INTRODUCTION

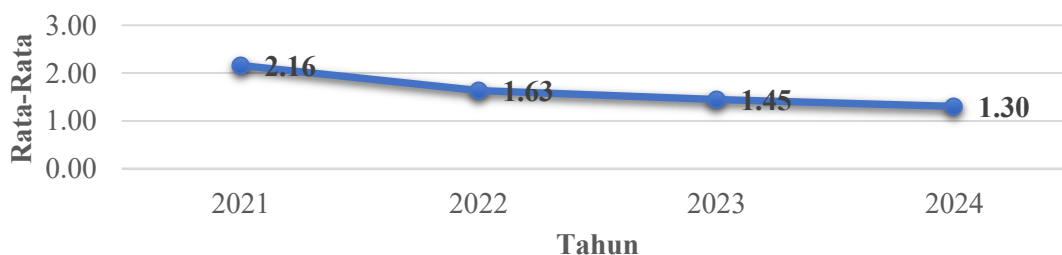
The development of globalization has driven the banking sector to continuously innovate and adapt in order to compete effectively in increasingly intense market competition. Banks need to create a competitive advantage over their rivals to maintain their existence and achieve corporate goals. The primary objective of banking companies is to generate optimal profits and enhance the wealth of the owners or shareholders (Melda et al., 2022). Achieving optimal and sustainable profits can serve as a key indicator reflecting the success of management in running the bank. A bank's ability to consistently generate profit can positively contribute to the increase in stock prices, which in turn can enhance the company's value (Ambarsari et al., 2023).

When a business is sold, the price a potential buyer is ready to pay is known as the company value (Wiagustini, 2014:9). Because a high company value can boost market trust in the firm's performance and future prospects, businesses need to be aware of their value (Augustina & Apriyanto, 2020). The Price to Book Value (PBV) ratio is used to calculate a company's value. Because it shows how much the market values a company's book value, the PBV ratio is employed as a gauge of firm value.

By determining whether the stock price traded on the capital market is seen as overvalued or undervalued, the PBV ratio analysis also enables the market to evaluate a company's prospects (Fernanda et al., 2024). Increased market confidence in the company might result from a greater PBV ratio, which indicates how well the company is generating value and a favorable perception among shareholders (Wiadnyani & Artini, 2023).

The 2021-2024 period is a time when the banking sector faces major challenges in efforts to recover the economy after the Covid-19 pandemic. The phenomenon of declining PBV in the banking sector indicates a decline in financial performance and economic uncertainty. The following is the average data on the Price to Book Value (PBV) ratio of banking sub-sector companies listed on the Indonesia Stock Exchange during the 2021-2024 period.

Figure 1. Average Price to Book Value (PBV) Ratio Data for Banking Subsector Companies on the IDX 2021-2024



Source: Indonesia Stock Exchange (processed data, 2025)

Figure 1 shows that the average value of the Price to Book Value (PBV) ratio in the banking sub-sector companies declined during the years 2021–2024. The average PBV value decreased in 2021 to 2.16; in 2022 to 1.63; in 2023 to 1.45; and in 2024 to 1.30. This decline in the average PBV value is caused by several factors that may influence the stock market price of banking institutions. These

factors may originate from both internal and external aspects of the company. Internal factors affecting firm value include profitability, liquidity, company growth, and capital structure (Sahbana et al., 2024). Additionally, other internal factors such as credit risk, operational efficiency, and sustainability report disclosure also influence firm value (Yasin et al., 2023). External factors influencing firm value include inflation, interest rates, regulation, and macroeconomic conditions (Ardana & Wahyuni, 2024).

This study uses internal factors including credit risk, operational efficiency, liquidity, and profitability as variables that affect firm value, as these variables comprehensively reflect the bank's financial condition and fundamental performance – covering asset quality, cost management, liquidity adequacy, and profit generation capability. Furthermore, the selection of internal factors as variables is also based on their controllable nature, meaning that management policies can directly influence firm value. Banks that demonstrate good performance in managing credit risk, optimizing operational efficiency, maintaining adequate liquidity, and generating sustainable profitability can provide strong positive signals to the market (Firdianto & Sudiyatno, 2024). This fundamental information is crucial for investors in evaluating future projections and prospects of the company, which will ultimately be reflected in the enhancement of firm value through stock price appreciation and increased market valuation (Putra & Baskara, 2024).

Credit risk refers to the risk of default that arises when a business, institution, group, or individual is unable to promptly fulfill its responsibilities to a bank in accordance with relevant agreements and regulations (Fahmi, 2015). Because a high level of credit risk can result in losses and ultimately lower firm value, banks must keep a careful eye on credit risk. Research on the influence of credit risk on business value has yielded varied results. According to a study by Tjahjadi & Munandar (2022), credit risk lowers corporate value. While Pungus et al.'s (2024) analysis revealed no discernible impact of credit risk on business value, Anggriani & Widyawati's (2024) study indicated a favorable effect.

Operational efficiency is a quantitative measure used to assess a bank management's ability to control operating costs related to the bank's business income (Sanjaya & Badjuri, 2024). Companies must pay attention to operational efficiency as it indicates the bank's ability to manage its resources optimally to generate profit, which ultimately can enhance investor confidence in the firm's value. Studies on the influence of operational efficiency on firm value have also shown varying results. Research by Rianawati et al. (2024) found a negative effect, while Chuianda & Duffin (2024) reported a positive effect. Another study by Wangarry et al. (2023) found no significant effect.

Liquidity is a measure of a bank's ability to meet short-term obligations that are due without disrupting its operational activities (Andrianto, 2019). Banks must ensure adequate liquidity as it reflects their capacity to fulfill short-term liabilities promptly, which can strengthen customer and investor confidence in the bank's operational stability. Again, studies on the influence of liquidity on firm value show inconsistent findings. Research by Tjahjadi & Munandar (2022)

found a negative effect, whereas Refrayadi & Kufepaksi (2024) found a positive effect, and Pungus et al. (2024) reported no significant influence.

Profitability refers to a company's ability to generate net profit from its business activities during an accounting period (Wati, 2023). Companies should pay attention to profitability as it reflects the effectiveness of their operations. Research findings on the impact of profitability on firm value vary as well. Verawati et al. (2023) found a positive effect, while Makhmudi & Zulkifli (2024) found a negative impact, and Mulyani et al. (2024) concluded that profitability had no effect on firm value.

Based on the aforementioned phenomena and the inconsistency in previous research results, further studies are necessary to examine the influence of credit risk, operational efficiency, liquidity, and profitability on firm value in the banking sub-sector listed on the Indonesia Stock Exchange for the 2021–2024 period.

LITERATURE REVIEW

Signaling Theory

The signaling idea was initially put forth by Michael Spence in 1973. It clarifies how the sender, or the person who has the information, provides the investor or recipient with a signal in the form of information that reflects the company's current situation. The actions management takes to demonstrate to investors how they view the company's current and future states are the main subject of signaling theory (Brigham & Houston, 2019:500). It claims that the knowledge asymmetry between a firm's shareholders and management is what drives a corporation to reveal information (Sudana, 2019:15). One side having more accurate, comprehensive, and up-to-date knowledge on a company than the other is known as information asymmetry.

This asymmetry may hinder the latter from making sound investment decisions. To reduce this gap, companies send signals so that decisions can be made appropriately.

Firm Value

Firm value is a certain condition achieved by a company, reflecting public trust in the company after undergoing business activities over the years – from its establishment to the present (Hery, 2017:5). Firm value can serve as a consideration for investors in making investment decisions. A higher firm value reflects greater investor confidence in the management's capability to lead the company and achieve long-term growth. Conversely, a lower firm value indicates less effective management in achieving sustainable growth.

Credit Risk

Credit risk is the potential loss faced by banks due to a borrower's inability and/or unwillingness to fully repay borrowed funds in accordance with the agreed terms, whether on time or after maturity (Sarjana, 2022:59). Research by Anggada & Safitri (2024) found that credit risk, measured using the NPL ratio, negatively affects firm value. These findings are supported by studies conducted by Tjahjadi & Munandar (2022), Wiadnyani & Artini (2023), Yasin et al. (2023), and Jagirani et al. (2023), all of which found a negative relationship between credit risk and firm value. A high NPL ratio may act as a negative signal,

indicating that a bank is facing credit risk due to delayed repayments of disbursed loans, thereby reducing its ability to earn profits and decreasing investor interest, which is reflected in a decline in firm value (Dewi & Badjra, 2020).

H1: Credit risk has a negative effect on firm value

Operational Efficiency

Operational efficiency is a quantitative measure used to evaluate a bank's management ability to control operating costs in relation to business income (Sanjaya & Badjuri, 2024). Research by Rianawati et al. (2024) found that operational efficiency, measured using the BOPO ratio, negatively affects firm value. These results are supported by studies conducted by Anggada & Safitri (2024), Esty et al. (2021), Handayani et al. (2023), and Hidayah & Sakti (2023), which also found a negative effect of operational efficiency on firm value. A high BOPO ratio can serve as a negative signal indicating inefficiency in managing costs related to bank operations, thus decreasing investor interest and reducing firm value.

H2: Operational efficiency has a negative effect on firm value

Liquidity

Liquidity is a measure of a bank's ability to meet its short-term obligations, such as fulfilling fund withdrawals by depositors and meeting approved credit disbursements (Andrianto, 2019:274). Research by Sakdiyah et al. (2023) found that liquidity, measured using the LDR ratio, negatively affects firm value. These findings are supported by studies from Wiyana et al. (2024), Tjahjadi & Munandar (2022), Chuianda & Duffin (2024), and Esty et al. (2021), all of which found a negative effect of liquidity on firm value. A high LDR ratio can serve as a negative signal because it indicates a potential liquidity risk – more loans are disbursed than third-party funds collected – resulting in inadequate cash reserves to meet withdrawal demands. The lower the bank's ability to fulfill short-term obligations, the higher the doubt and lower the investor confidence, ultimately reducing firm value (Wiadnyani & Artini, 2023).

H3: Liquidity has a negative effect on firm value

Profitability

A ratio called profitability is used to assess a company's capacity to turn a profit over a specific time frame (Wiagustini, 2014:86). According to research by Deccasari et al. (2023), business value is positively impacted by profitability as determined by the ROA ratio. Studies by Aprilia & Riharjo (2023), Verawati et al. (2023), Perdana et al. (2023), and Ikhsan et al. (2022) all indicated a positive correlation between company value and profitability, which supports these findings. The bank's great capacity to use all of its assets to create profits is indicated by a high ROA. A higher ROA boosts investor trust in management's ability to allocate corporate resources for long-term profitability, which raises the value of the company.

H4: Profitability has a positive effect on firm value

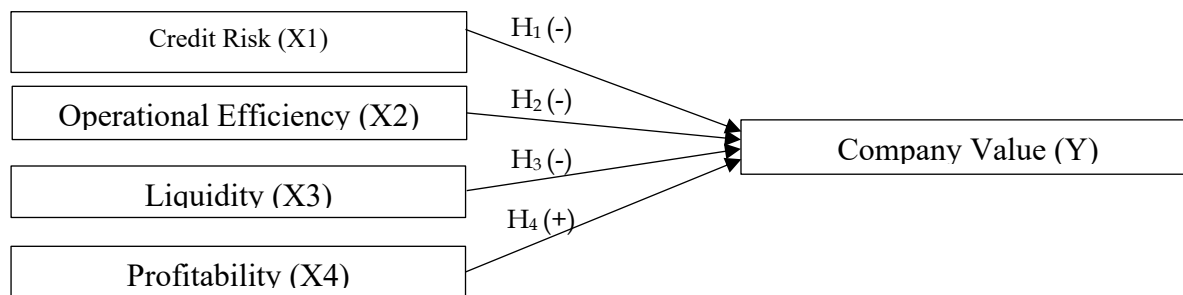


Figure 2. Conceptual Framework

RESEARCH METHOD

Based on the specified hypotheses, this study describes and tests the link between two or more variables using a quantitative method with an associative approach. The purpose of the study is to ascertain how firm value is impacted by credit risk, profitability, liquidity, and operational efficiency.

The 40 companies in the banking subsector that were listed on the Indonesia Stock Exchange (IDX) between 2021 and 2024 make up the study's population. A saturation sampling methodology combined with a non-probability sampling method was used to identify the sample. As a result, the study's entire sample included 160 observations from 40 organizations that were monitored throughout a 4-year period (2021–2024).

With the aid of SPSS version 26, multiple linear regression is the data analysis method employed. Since multiple linear regression can quantify the impact of independent factors on the dependent variable, it is the best regression model to utilize when analyzing the empirical model in this study. The following is the formulation of the model:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e \dots\dots\dots(1)$$

Explanation:

- Y = Firm Value
- X₁ = Credit Risk
- X₂ = Operational Efficiency
- X₃ = Liquidity
- X₄ = Profitability
- α = Constant
- β₁ = Regression coefficient for Credit Risk
- β₂ = Regression coefficient for Operational Efficiency
- β₃ = Regression coefficient for Liquidity
- β₄ = Regression coefficient for Profitability
- e = Error term

RESEARCH RESULTS

Descriptive Statistics

Using the maximum, minimum, mean, and standard deviation values, descriptive statistical analysis is performed to give a summary of the research variables, which include credit risk, operational efficiency, liquidity, and profitability. Table 1 displays the study's descriptive statistical analysis.

Table 1. Descriptive Statistics Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Credit Risk	160	0.00	14.09	2.85	2.29
Operational Efficiency	160	41.67	287.86	90.36	32.17
Liquidity	160	12.35	163.19	85.71	25.87
Profitability	160	-14.75	4.76	0.84	2.65
Firm Value	160	0.32	9.43	1.63	1.74

Source: Processed secondary data, 2025

The results of the descriptive statistical analysis in Table 1 show that the firm value variable, measured by the Price to Book Value (PBV) ratio, has a minimum value of 0.32 and a maximum value of 9.43, with a mean of 1.63 and a standard deviation of 1.74. The Non-Performing Loan (NPL) ratio, which measures credit risk, has a mean of 2.85, a standard deviation of 2.29, a minimum value of 0.00, and a maximum value of 14.09. The Operating Expenses to Operating Income (BOPO) ratio, which measures operational efficiency, has a mean of 90.36 and a standard deviation of 32.17. Its range is 41.67 to 287.86. The Loan to Deposit Ratio (LDR), which measures liquidity, has a mean of 85.71 and a standard deviation of 25.87. Its range is 12.35 to 163.19. Last but not least, the Return on Assets (ROA) ratio, which measures profitability, has a mean of 0.84 and a standard deviation of 2.65. It varies from -14.75 to 4.76.

Normality Test

The normality test is used to determine whether or not the regression model's residual variables have a normal distribution. The One-Sample Kolmogorov-Smirnov Test is used to perform the normalcy test. The Asymp. Sig. (2-tailed) value is compared with a significance level of 0.05 in order to make decisions. The assumption of normality is satisfied and the residuals are normally distributed if the test result indicates that Asymp. Sig. (2-tailed) > 0.05. On the other hand, the normality assumption is not satisfied and the residuals are not normally distributed if Asymp. Sig. (2-tailed) < 0.05.

Table 2. Normality Test Results I

	Unstandardized Residual
N	160
Normal Parameters a,b	
Mean	.0000000
Std. Deviation	1.72005809

	Unstandardized Residual
Most Extreme Differences	
Absolute	.201
Positive	.201
Negative	-.185
Test Statistic	.201
Asymp. Sig. (2-tailed)	.000 c

Source: Processed secondary data, 2025

The results of the first normality test in Table 2 show that the model's Asymp. Sig. (2-tailed) value is smaller than the significance level of 0.05 ($0.000 < 0.05$). This indicates that the normality assumption is not fulfilled, meaning the residual data are not normally distributed. Non-normally distributed residuals can be corrected through outlier testing or data transformation (Ghozali, 2021). This test is necessary when there is data indicated as outliers – data that has unique characteristics and differs significantly from other data, appearing as extreme values and therefore must be removed (Ghozali, 2021). The results of the normality test after outlier removal are shown in Table 3.

Table 3. Normality Test Results II

	Unstandardized Residual
N	140
Normal Parameters a,b	
Mean	.0000000
Std. Deviation	.38277687
Most Extreme Differences	
Absolute	.052
Positive	.052
Negative	-.046
Test Statistic	.052
Asymp. Sig. (2-tailed)	.200 c,d

Source: Processed secondary data, 2025

The normality assumption is met and the data utilized in this study are normally distributed, according to the findings of the second normality test in Table 3, which also shows that the Asymp. Sig. (2-tailed) value is higher than the significance threshold ($0.200 > 0.05$).

Autocorrelation Test

The purpose of the autocorrelation test is to determine whether the regression model's error terms in period t and period $t-1$ (the prior period) are correlated. Autocorrelation testing is done using the Durbin-Watson (DW-Test). If the regression model satisfies the following condition, it is deemed to be autocorrelation-free: $dU < dW < (4 - dU)$.

Table 4. Autocorrelation Test Results

Durbin-Watson (dW)	dU	4 - dU	Decision
1.890	1.7830	2.217	No autocorrelation detected

Source: Processed secondary data, 2025

According to Table 4's autocorrelation test findings, the Durbin-Watson value is 1.890. With a sample size (n) of 140, four independent variables ($k = 4$), and a 0.05 significance level, the Durbin-Watson table produces $dU = 1.7830$ and $4 - dU = 2.217$. Since the regression model in this study satisfies the requirement $dU < dW < (4 - dU)$ or $1.7830 < 1.890 < 2.217$, the outcome shows that it is devoid of autocorrelation symptoms.

Multicollinearity Test

Assessing whether the independent variables in the regression model are correlated is the goal of the multicollinearity test. The tolerance and variance inflation factor (VIF) values can be used to ascertain this. An independent variable is said to be free from multicollinearity if its tolerance is greater than 0.10 and its VIF is less than 10.

Table 5. Multicollinearity Test Results

Variable	Tolerance	VIF	Description
Credit Risk	0.952	1.051	No multicollinearity
Operational Efficiency	0.811	1.233	No multicollinearity
Liquidity	0.757	1.322	No multicollinearity
Profitability	0.660	1.515	No multicollinearity

Source: Processed secondary data, 2025

The results of the multicollinearity test in Table 5 show that the tolerance values for all independent variables are greater than 0.10 and the VIF values are less than 10:

Credit Risk: Tolerance = 0.952, VIF = 1.051

Operational Efficiency: Tolerance = 0.811, VIF = 1.233

Liquidity: Tolerance = 0.757, VIF = 1.322

Profitability: Tolerance = 0.660, VIF = 1.515

This indicates that the independent variables in this study do not exhibit multicollinearity, and the regression model is free from multicollinearity issues.

Heteroscedasticity Test

To determine if the variance of residuals inside the regression model varies from one observation to another, the heteroscedasticity test is used. By regressing the absolute residual values on the independent variables, this test applies the Glejser test. If a regression model's significance value is higher than 0.05, it is considered to be heteroscedastic.

Table 6. Heteroscedasticity Test Results

Model	t	Sig.	Description
(Constant)	-0.476	0.635	
Credit Risk	1.155	0.250	No Heteroscedasticity
Operational Efficiency	-0.432	0.667	No Heteroscedasticity
Liquidity	1.290	0.199	No Heteroscedasticity
Profitability	0.616	0.539	No Heteroscedasticity

Source: Processed secondary data, 2025

The significant values for credit risk (0.250), operational efficiency (0.667), liquidity (0.199), and profitability (0.539) are all higher than the 0.05 significance level, according to the findings of the heteroscedasticity test, which are displayed in Table 6. This suggests that there are no signs of heteroscedasticity in the regression model.

Multiple Linear Regression Test Results

In this study, the multiple linear regression test is used to forecast the direction and strength of the relationship between business value and credit risk, operational efficiency, liquidity, and profitability. The regression coefficients, which will show whether the hypotheses put forth in this study are accepted or rejected, are likewise determined using multiple regression analysis. Table 7 displays the multiple linear regression analysis's findings.

Table 7. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
(Constant)	9.866	0.841		11.727
Credit Risk	-0.043	0.041	-.0052	1.044
Operational Efficiency	-1.556	0.166	-.0931	9.381
Liquidity	-1.060	0.116	-.0910	9.148
Profitability	0.980	0.156	0.0628	6.298

Source: Processed secondary data, 2025

The results of the multiple linear regression test in Table 7 yield the following regression equation:

$$Y = 9.866 - 0.043X_1 - 1.556X_2 - 1.060X_3 + 0.980X_4 \dots\dots\dots (2)$$

Interpretation of the results in Table 7 is as follows:

- The regression coefficient of **credit risk (X₁)** on **firm value (Y)** is -0.043, indicating an inverse relationship. This means that if credit risk increases by one unit, the firm value will decrease by 0.043, assuming other variables remain constant.
- The regression coefficient of **operational efficiency (X₂)** on **firm value (Y)** is -1.556, indicating an inverse relationship. An increase of one unit in operational efficiency will decrease the firm value by 1.556, assuming other variables remain constant.
- The regression coefficient of **liquidity (X₃)** on **firm value (Y)** is -1.060, also indicating an inverse relationship. An increase in liquidity by one unit will decrease firm value by 1.060, assuming other variables remain constant.
- The regression coefficient of **profitability (X₄)** on **firm value (Y)** is 0.980, indicating a positive relationship. If profitability increases by one unit, the firm value will increase by 0.980, assuming other variables remain constant.

Model Feasibility Test (F-Test)

Table 8. Results of Model Feasibility Test (F-Test)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	43.720	4	10.930	72.451	.000b
Residual	20.366	135	.151		
Total	64.086	139			

Source: Processed secondary data, 2025

The F-test results in Table 8 show a significance value of $0.000 < 0.05$, indicating the regression model is statistically valid. Therefore, credit risk, operational efficiency, liquidity, and profitability together significantly affect firm value.

Coefficient of Determination Test (R² Test)

Table 9. Results of Coefficient of Determination (R²)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826a	.682	.673	.38841

Source: Processed secondary data, 2025

Table 9 shows an Adjusted R² of 0.673. This means 67.3% of the variability in firm value is explained by the independent variables (credit risk, operational efficiency, liquidity, and profitability), while the remaining 32.7% is due to other factors outside the model.

Hypothesis Testing (t-Test)

The partial t-test determines if the dependent variable is significantly impacted by each independent variable separately. The hypothesis is accepted if the t value is more than the t table or the significance level is less than 0.05; if not, it is rejected.

From the results:

- Credit risk (X₁): coefficient = -0.043, p-value = 0.299 (> 0.05) → no significant effect → H1 rejected
- Operational efficiency (X₂): coefficient = -1.556, p-value = 0.000 (< 0.05) → significant negative effect → H2 accepted
- Liquidity (X₃): coefficient = -1.060, p-value = 0.000 (< 0.05) → significant negative effect → H3 accepted
- Profitability (X₄): coefficient = 0.980, p-value = 0.000 (< 0.05) → significant positive effect → H4 accepted

DISCUSSION

Effect of Credit Risk on Firm Value

Credit risk does not significantly influence the firm value of banking sub-sector firms listed on the IDX from 2021 to 2024 ($p = 0.299 > 0.05$), thus H1 is not supported. This suggests that changes in credit risk levels do not meaningfully impact firm value. Credit risk is viewed as an inherent banking risk already priced into stock valuations. Investors accept NPL fluctuations within regulatory limits (<5%) and consider them expected.

During 2021–2024, post-COVID accommodation via OJK/BI regulations allowed banks to defer recognizing impaired assets without hurting performance, mitigating the impact of NPLs on firm value. Risk management under Basel III and POJK rules (e.g., provisioning, stress testing, portfolio diversification) reassures investors.

This finding deviates from signalling theory: NPL disclosures alone aren't perceived as strong signals. Instead, investors weigh broader performance and risk controls. This aligns with similar findings from Manurung et al. (2023), Kusuma & Ruslim (2022), Miranti et al. (2024), Purnamasari & Sitorus (2023), and Mawarti et al. (2022).

Effect of Operational Efficiency on Firm Value

Operational efficiency negatively and significantly affects firm value ($p = 0.000 < 0.05$), so H2 is supported. A lower BOPO ratio (higher efficiency) signals effective cost control and higher profit margins. Increased profitability strengthens fundamentals, boosts investor confidence, raises demand for shares, and increases firm value.

This supports signalling theory: a low BOPO ratio is a credible signal of good management. Investors interpret it as evidence of strong operational capabilities and long-term profitability, increasing stock valuation. This result aligns with studies by Tahmat et al. (2023), Mustikaweni et al. (2024), Anggada & Safitri (2024), Wahyuni & Choirul Umam (2023), and Rianawati et al. (2024).

Effect of Liquidity on Firm Value

Liquidity has a negative, significant effect on firm value ($p = 0.000 < 0.05$), supporting H3. A high LDR means a higher loan-to-deposit ratio, reducing liquidity buffers and increasing liquidity risk. While high lending boosts interest income, it raises investor concerns about cash availability for withdrawals and obligations.

Even with regulatory reserve requirements (GWM), investors favor banks with liquidity cushions beyond mandated levels. A high LDR is viewed as imprudent risk-taking, undermining confidence and firm value. This supports signalling theory: a high LDR sends a negative signal. Under BI regulation No. 17/11/PBI/2015, healthy LDR ranges from 78% to 92%; exceeding that signals poor prudence. Research by Bijak et al. (2024), Tjahjadi & Munandar (2022), Damayanti & Sucipto (2022), Devi & Suardana (2022), and Naibaho et al. (2024) concurs.

Effect of Profitability on Firm Value

Profitability has a positive, significant impact on firm value ($p = 0.000 < 0.05$), confirming H4. Higher ROA indicates efficient asset use and sustainable profitability, which reflects strong managerial performance and increases investor confidence and firm value.

This supports signalling theory: high ROA is a positive signal that the bank can generate stable cash flows. Investors tend to value such firms more, expecting long-term growth—evidenced by studies from Devi & Suardana (2022), Damayanti & Sucipto (2022), Lasdao Mara & Munandar (2024), Keter et al. (2024), and Ikhsan et al. (2022).

CONCLUSION

It is possible to draw the conclusion that credit risk has little bearing on firm value based on the study and discussion outcomes. This suggests that changes in business value are not much impacted by fluctuations in credit risk levels. Firm value is negatively impacted by operational efficiency and liquidity. The firm value of banking subsector companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2024 is positively impacted by profitability.

RECOMMENDATIONS

Based on the research findings, discussion, and conclusions, several recommendations can be made. For companies, it is advised to implement digital transformation strategies, particularly in customer services, payment systems, and internal operations, to reduce costs and enhance operational efficiency. Management is also encouraged to conduct regular evaluations of third-party fund collection strategies to maintain liquidity balance and strengthen credit risk management practices to ensure asset quality and minimize potential non-performing loans that could harm the bank.

Investors are advised to select banks that demonstrate good operational efficiency, maintain liquidity within optimal ranges, and achieve high and consistent levels of profitability, as these three factors have been proven to significantly influence firm value. Investors should also consider external factors, as a company's performance is not independent of external influences.

Future researchers are encouraged to include additional variables that may influence firm value, such as Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), Good Corporate Governance (GCG), firm size, or macroeconomic factors, to develop a more comprehensive model. It is also recommended that future studies use more recent observation periods and expand the sample coverage by including banking data from several ASEAN countries to generate more diverse research results.

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