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The Effect of Profitability, Solvency and Liquidity on Company Value

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Abstract: This study aims to analyze the effect of profitability, solvency and liquidity on firm value in banking sub-sector companies listed on the Indonesia Stock Exchange in 2017 – 2021. The populations in this study areall banking sub-sector companies listed on the Indonesia Stock Exchange, namely 48 companies. The technique used in determining the sample is purposive sampling, so that the sample in this study is 39 companies belonging to the banking sub-sector that are listed on the Indonesia Stock Exchange in 2017–2021. The data analysis technique used is multiple linear regression analysis using the SPSS v. 25. The results of this study identify Profitability (ROA) has a significant positive effect on firm value,

Keywords: Return on Assets, Debt to Asset Ratio, Loan to Deposit Ratio, Price Book Value

I. INTRODUCTION

Today's world economic competition provides various challenges that every business carried out by a company must always prioritize and improve the company's performance so that it is able to face and prevent risks from all conditions so that the company can survive and develop, especially for banking sub-sector which tend to be very vulnerable to economic problems and their control. This is due to the increasingly rapid development of the banking sector in terms of technology and service application. Therefore, with the increasingly advanced development of the banking world, there will also be an increasing number of banks in Indonesia which of course creates very tight competition. The main key for business competition is to maximize company value for the survival of the company (Thaharah, et al., 2016).

Company value can describe how effective and efficient management is in managing company resources. Therefore, to attract investors, the company hopes that financial managers can take the best steps and decisions for the company by optimizing the value of the company so that shareholder prosperity is achieved. This can be ascertained through the measurement of financial performance obtained. There is a close relationship between the financial performance of a company and an assessment of the health or welfare of a company (Marfuah and Nindya, 2017). If the company's financial performance is good, then the company's value will increase, and vice versa, if the company's financial performance is bad, then the company's value will decrease. If investors are interested in investing in the company because of the high company value, of course the stock price will rise. Meanwhile, if the company value is low, it can cause investors to discourage investing, which of course will cause the stock price to decrease (Harningsih, Sri et al, 2019).

Conditions of highly competitive company competition, need to be supported through the presentation of neat financial reports. Because through the financial statements it will be seen how the financial performance of a company. Where the financial statements reflect the condition and financial position of the company. The condition and financial position of the company is very likely to change each period in accordance with the ongoing operations in the company. So changes in financial position affect the value of the company. If the company achieves good performance, it will be more attractive to investors. The achievements achieved by the company will be seen from the published financial reports (Sari, et al., 2015).

Investors who want to know the value of a company will get an idea of the company by looking at ratios or financial indicators as an investment appraisal tool. High or low value of a company can be reflected through financial ratios. In the signaling theory (signalling theory) explains that the company's encouragement in sharing financial report information to outsiders or external parties. In terms of reducing information asymmetry, it is necessary to disclose financial and non-financial information owned by the company. All information related to the company and future prospects from outsiders such as investors and creditors will affect the value of the company (Anggitasari, et al., 2012). There are various indicators in measuring company value, one of which is Price to Book Value. The value of the company itself is influenced by several factors, including financial performance which is measured using profitability, solvency and liquidity ratios (Chasanah, 2018).

Profitability is an indicator to assess whether a company has a good future or not, so that the profitability and performance of the company is very important for long-term business continuity. Therefore, all companies continue to strive to increase profitability,because the survival of the company will be safer and more secure if the company has high profitability. According to Sri Mulyati and Bambang Mulyana (2021), normally, the investors tend to like a company that has stable profit on each year. They assume, that the more stable profit or income company get then the more stable the returns will be received by them as well. The information that is being very noticed by investors before deciding to invest is the company's profit. The awareness of the importance of earnings information is often being used as an excuse by the management to take inappropriate actions (dysfunctional behavior) such as changing the actual profit amount and one of kind of this inappropriate behavior known as income smoothing. Research conducted byFebry Tresia Simamora (2020) states that profitability with partial Return on Assets has a significant positive effect on company value. However, the opposite was found by Ira Ardianing Saputri and Supramono (2021) which states that *Return on Assets* no significant negative effect on the company. Research result Dwi Ramadani and Sapto Jumono (2020) state that Return on Assets has a negative and significant effect.

The ratio in subsequent financial performance is the solvency ratio (leverage) which is the ratio used to compare a company's debt burden to assets or equity and is used to assess the company's potential to pay off all of its obligations, both debt in the short term and debt in the long term if the company is liquidated by utilizing assets or wealth. The results of research conducted by Putu Shiely Komala, I Dewa ME, Putu DK, and Ni Made R (2021) state that the Debt to Asset Ratio has a negative effect on company value. This is different from the research conducted by Rudi Darmawan (2020) which states that the Debt to Assets Ratio does not have a significant effect on company value but has a positive influence. Meanwhile, according to research results Jessica Artamevia and Yuliani Almalita (2021) Debt to Asset Ratio has a positive effect on company value.

The liquidity ratio is also used to determine a company's value to reflect its ability to cover its short-term obligations with the available time. According to Kasmir (2013) liquidity is the level of a company's ability to pay its debts when they are due. Research on liquidity on firm value also tends to show inconsistent results. According to research by Ira Ardianing Saputri and Supramono (2021) states that the Loan to Deposit Rationegative and insignificant effect on firm value. These results are contrary to research conducted by Galuh Tri Pambekti (2022), where the results state that the Loan to Deposit Ratio has a significant positive effect on company value. Then it is different from the results of the research by Widhi Kurniasih Nurrohmah, Ahmad M and Maria CW (2022) which states that the Loan to Deposit Ratio partially has a significant negative effect on company value.

Based on the explanation above, there are different research results regarding the effect of profitability, solvency and liquidity on firm value so there is no research inconsistency, Therefore, it is necessary to partially analyze the effect of profitability, solvency and liquidity on firm value in banking companies listed on the Indonesia Stock Exchange. With different samples and years from previous studies. With the hope of obtaining results that are more objective and useful. The purpose of this study is to analyze the effect of profitability, solvency and liquidity on the value of banking companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This research is also expected to provide an overview for companies regarding the effect of profitability, solvency and liquidity on value company. Furthermore, this research is expected to be a material consideration for investors in making investment decisions.

II. LITERATURE REVIEWS

a) Signal Theory

Signaling theory This states that it is important for companies to convey information regarding financial statements with internal and external parties. This is considered important because there is an information asymmetry between management and external parties. This information asymmetry factor is because the company knows more information about the company and its future prospects than external parties (investors and creditors). Inadequate information for external parties regarding the company will cause investors to give a low price to the company. The signal is information that has been carried out by management to meet the expectations of the owner. In general, information and promotions that reflect the company's advantages compared to other companies are a signal (Pradita, 2019).

b) Trade off Theory

Jensen and Meckling (1976) founded the Trade off Theory. This theory states that there is an optimal capital structure and a company's capital structure can be determined by creating a balance between the effects of taxes, agency costs, bankruptcy costs and so on. This confirms that the optimal capital structure of a company can be determined by agency costs. To reduce agency costs, optimal ownership and debt structures must be determined (Jensen and Meckling, 1976).

Trade off Theory of the capital structure discusses the company's various financial choices experienced by the company. This theory is important when studying financial economics concepts. Where in general companies are financed by equity and debt. This theory mainly deals with two concepts. Financial distress costs and agency fees. The purpose of the tradeoff theory is to balance between equity and external capital profitability. As long as the benefits of using debt are still large enough, adding debt can still be done, but if using debt requires greater sacrifice, adding debt is no longer allowed. The capital structure trade off theory aims to explain the company's strategy to finance their investments, which sometimes use debt. This theory also studies the advantages and disadvantages of financing related to either equity or bond. The Trade off Theory actually allows bankruptcy costs to exist (Suciati, 2021).

c) The value of the company

According to (Febriana, 2019) company value is the selling value of an entity as long as the business is running or a company is operating. According to (Colline, 2018) what is meant by company value is the value measured by the selling price of the company which will be obtained by the seller if the company is sold. Opinion from (Muid bdul, 2012) the definition of company value is a condition that has been successfully achieved by the company which is used as evidence of public trust in the company by looking at the process of activities during a certain period since the company was founded until now the company is developing. Riny (2018) has the opinion that company value is very necessary in investment decisions made by investors, stakeholders or creditors because company value is used as material for evaluation and assessment.Firm value is the present value of a series of incoming cash flows that the company will produce in the future (Daeli & Endri, 2018).

Based on several researchers' opinions, it can be concluded that the form of an assessment of the company related to the success or failure of managing finances well is the meaning of the company's value. Where the value of the company has a relationship that is tied to the stock price. If the company's stock price increases, the value of the company will directly increase. This is driven by the main objective of the company to increase the value of the company by ensuring the prosperity and welfare of the owners or shareholders. Transactions between buyers and sellers form the market price of the shares which represent the wealth of the shareholders and the company. Because the stock market price is considered as a picture of the true value of the company's assets. Besides that, stock prices are directly proportional to the rate of return investors. If the company's stock price is getting bigger, it means that the investor's return is getting bigger. Investment opportunities greatly affect the value of the company which is formed by the stock market value indicator.Price to book value (PBV) is a valuation ratio or often referred to as the valuation ratio to assess the cost or cheapness of a stock by comparing the price of the stock with the book value of the company (Sihaloho & Asep., 2021)

d) Profitability

According to (Agus, 2015) describes that profitability is the company's potential to generate profits related to sales, total productive assets, or personal capital. If a company has a high level of profitability, it will directly describe the company as being in optimal conditions because it is considered successful in creating high profits. Because the magnitude of the rate of return on funds will affect the company's stock price on the capital market, where the company's value increases if the stock price rises. Sari and Endri (2019) state that profitability ratios measure the effectiveness of banks making profits, in addition of being used as a measure of financial health, profitability ratios are very important to observe given the adequate benefits needed to maintain the flow of bank capital resources. According to Bank Indonesia regulations profitability is one of the main elements assessed in determining the soundness of the bank and one of the indicators commonly used in measuring bank profits is the ratio of Return on Assets.

While the perception (Harahap, 2015) explains that profitability is a ratio that shows the level of success of a company in gaining profit through all available sources of income, including sales activity, capital, cash, number of employees, and number of branches. Therefore, the profitability of Return on Assets plays a very important role in increasing firm value, in other words Return on Assets will have a positive impact on stock returns (Arista and Astohar, 2012). According to several research results conducted by Febry Tresia and Herlina (2020), Putu Shiely (2021), Rudi Darmawan (2020), and Tommy (2021) state that Return on Assets has a positive effect on company value. In addition, the results of Amalia Nur Chasanah's research (2018), Jessica Artamevia and Yuliani Almalita (2021), and Aditya Permana (2019) say that profitability proxied by Return on Assets has a significant effect on company value. Based on the description above, the hypothesis can be formulated as follows:
H1: Profitability has a positive effect on firm value.

e) Solvability

According to Wandi (2018), the solvency ratio is used to measure the extent to which company assets are financed with debt. That is, how much debt is borne by the company compared to its assets. The company can be said to be in good condition, if the company can fulfill its obligations. This can affect the interest of investors in investing. Investors assume that the higher the debt, the riskier the investment. If a company cannot pay off its debts, it will have a negative effect on company value (Nadzim, 2019). A company is said to be insolvable if

the company's total debt is greater than the total assets owned by the company, the higher the solvency aspect, the greater the funds provided by creditors. This the higher the solvency ratio, the higher the risk of loss and this loss can cause the company's value to decrease. Research on the effect of investment decisions on company value has been carried out by Febry and Herlina (2020), Putu Shiely (2021) and Aditya Permana (2019) whose results state that the Debt to Assets Ratio has a negative effect on company value. In addition, research conducted by Jessica and Yuliani (2021) states that solvency proxied by the Debt to Assets Ratio has a significant influence on company value. However, there are differences in the results of research conducted by Febry and Herlina (2020) and Rudi Darmawan (2020) which state that the Debt to Assets Ratio has no significant effect on company value. Based on the description above, the hypothesis can be formulated as follows:
H2: Solvency has a negative effect on firm value.

f) Liquidity

Liquidity is the ability of a company to meet its financial obligations in the short term, or which must be paid immediately. The liquidity ratio can show the security of the company, but on the other hand a high level of liquidity can also reduce the value of the company because a high level of liquidity will make the company allocate more funds to pay off short-term obligations so that dividends paid to shareholders are lower, this will be responded negative by investors and can reduce the value of the company (Yuliana, 2016). Liquidity ratio measurement can use the Loan to Deposit Ratio is a comparison between loans disbursed and third party funds collected by banks (Giro, Savings, and Deposits).A good LDR is in the range of 80 - 110% (Kasmir, 2014). Good liquidity is an LDR that is within safe limits according to Bank Indonesia regulations, namely a lower limit of 78% and an upper limit of 92%.The Loan to Deposit Ratio describes the bank's ability to pay back withdrawals made by depositors by relying on the credit provided as a source of liquidity. The higher this ratio indicates the lower the liquidity capacity of the bank concerned. This is because the amount of funds needed to finance credit is getting bigger (Kasmir, 2014).According to several research results conducted by Nensi Yuniarti (2022) and Widhi Kurniasih (2022) it is stated that the Loan to Deposit Ratio has a negative effect on company value. In addition, research conducted by Sundus Nur Halimah (2017) states that the Loan to Deposit Ratio has a significant effect on firm value. However, this is different from the results of research conducted by Sri Murni (2018) which states that the Loan to Deposit Ratio has no significant effect on company value. Based on the description above, the hypothesis can be formulated as follows:
H3: Liquidity has a negative effect on firm value.

This study analyzes how much influence the profitability, solvency and liquidity ratios have on firm value in the banking sub-sectors listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period which refers to previous research using predetermined variables. This study discusses the value of the company proxied by the value of the company as the dependent variable and the independent variables are profitability, solvency and liquidity.

To facilitate understanding of the concepts used as directions in conducting the analysis, the conceptual framework in this study is systematically as follows:

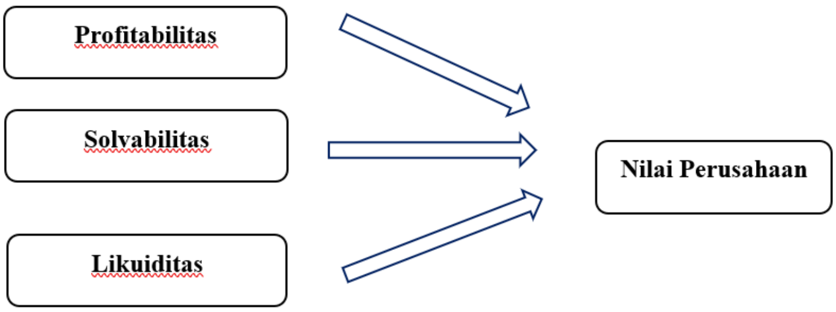

Figure 1. Conceptual Framework

III. METHODS

a) Research design

This type of research is quantitative research, using secondary data in the form of panel data. Data collection techniques used were documentation techniques or archival techniques (desk research) obtained from the official website of the Indonesia Stock Exchange. The research conducted is a causal research (Causal

Research) which aims to find out how the influence of several independent variables on the dependent variable. In this study the dependent variable is firm value, while the independent variables are profitability, solvency and liquidity. The method used is multiple linear regression analysis with the Statistical Package for the Social Science (SPSS) program.

b) Population and Sample

In this study, the population was 47 banking sub-sector companies that were listed on the Indonesia Stock Exchange (IDX) during the research period (2017-2021), but not all of these companies were used as research objects. Sampling in this study using purposive sampling method. The criteria for determining the sample in the study are as follows:

1) Banking Sub Sector Companies that are listed or registered on the Indonesia Stock Exchange for the period 2017 – 2021 and have never been delisted during that period.
2) Banking Sub Sector Companies that consistently publish complete financial reports on the Indonesia Stock Exchange during the 2017 – 2021 period.
3) Companies whose Price to Book Value is not negative consecutively from 2017 – 2021.
4) Banking Sub Sector Companies whose share prices are listed on yahoo finance during the period 2017 – 2021

After the purposive sampling technique was carried out, the research sample used was 39 Issuers in the banking sub-sector.

c) Operational Variables

The operational definition of each variable used in this study is as follows:

1) **Price to Book Value:** a number of numbers from the results of a comparison of the price per share with the book value of shares.
2) **Return on Assets:** a number of figures from the results of a comparison between net income and total assets.
3) **Debt to Assets Ratio:** a number of figures from the results of a comparison between total debt and total assets.
4) **Loan to Deposit Ratio:** a number of figures from the results of comparisons between loans with third party funds.

Table 1
Operational Variables

Variable	Proxy	Indicator	Scale
The value of the company	*Price to Book Value*	$\frac{\text{Price Per Share}}{\text{Share Book Value}}$	Ratio
Profitability	*Return on Assets*	$\frac{\text{Net profit}}{\text{Total Assets}}$	Ratio
Solvability	*Debt to Assets Ratio*	$\frac{\text{Total Debt}}{\text{Total Assets}}$	Ratio
Liquidity	*Loan to Deposit Ratio*	$\frac{\text{Credit Given}}{\text{Third-party funds}}$	Ratio

IV. RESULTS

a) Descriptive statistics

Table 2
Descriptive Statistics

	N	Minimum	Maximum	Means	std. Deviation
The value of the company	183	-1.75037	1.80224	.0810768	.40788299
Profitability	183	.01359	.25298	.1016459	.04804451
Solvability	183	.22895	.96773	.9026665	.06094154
Liquidity	183	.35098	3.99216	.9323669	.26083213
Valid N (listwise)	183				

Source: data processed with SPSS v.25 (2023)

Based on Table 2 Descriptive Statistics, it can be seen that the variables with the amount of data (N) are 183 each. The average value of the company value variable is 0,0810768 with a standard deviation of 0,407883 where the average value is lower than the standard deviation so that the data is categorized as unfavorable or there is data with a value that exceeds the deviation limit. The average value of profitability is 0,1016459 with a standard deviation of 0,04804451 where the average value is higher than the standard deviation so that the data is in a good category. Then the average value of solvency is higher than the standard deviation so that the distribution of the data is even and the difference between the data is not too high. The average value of liquidity is higher than the standard deviation so that the data is categorized as good or the distribution of data is even and the difference between the data is not too high.

b) Classic assumption test

1. Normality test

In the normality test, the researcher will test whether the regression model which consists of the dependent and independent variables has a normal distribution or not. After testing the initial data for abnormal data, an outlier test is performed to remove data that is in the outlier category. The test tool used by Mahalanobis is with the criterion if the Mahalanobis value > chi square table, then the data is outlier. The chi square table value for 4 variables (independent and dependent) is 9,487. There are 11 data that are categorized as outliers so they are removed from the research data. The data is still not normally distributed, so data transformation is performed on the company value variable using logarithms and for the profitability, solvency, and liquidity variables using the absolute value of the square root. The results of the post-transformation normality test are:

Table 3
Normality Test

			Unstandardized Residuals
N			183
Normal Parameters, b	Means		.0000000
	std. Deviation		.38825903
Most Extreme Differences	absolute		092
	Positive		063
	Negative		-.092
Test Statistics			092
asymp. Sig. (2-tailed)			.001c
Monte Carlo Sig. (2-tailed)	Sig.		.079d
	99% Confidence Intervals	Lower Bound	072
		Upper bound	086

Source: data processed with SPSS v.25 (2023)

Based on Table 3 it can be explained that the asymp sig value for the unstandardized residual at the monte carlo value is 0,079 > 0,05, so the data is normally distributed.

2. Multicollinearity Test

This research in conducting a multicollinearity test uses the tolerance value approach and VIF. To avoid multicollinearity symptoms, the tolerance value must be more than 0,1 and VIF less than 10. The following results of the multicollinearity test are as follows:

Table 4
Multicollinearity Test

Model		Collinearity Statistics	
		tolerance	VIF
1	(Constant)		
	Profitability	.980	1020
	Solvability	.363	2,756
	Liquidity	.366	2,730

a. Dependent Variable: Company Value
Source: data processed with SPSS v.25 (2023)

Based on Table 4, the profitability variable has a VIF value of 1,020 <10 and a tolerance of 0,980 > 0,1, so multicollinearity does not occur. Then the solvency variable has a VIF value of 2,756 <10 and a tolerance of 0,363 > 0,1, so multicollinearity does not occur. The results of the liquidity variable have a VIF value of 2,730 <10 and a tolerance of 0,366 > 0,1, so multicollinearity does not occur. So it can be concluded that in this study no multicollinearity was found between the independent variables in the regression model.

3. Heteroscedasticity Test

In this study, the heteroscedasticity test used the Glejser approach. Following are the results of the heteroscedasticity test:

Table 5
Heteroscedasticity Test

Model		Sig.
1	(Constant)	.739
	Profitability	.489
	Solvability	.430
	Liquidity	.690

a. Dependent Variable: abs

Source: data processed with SPSS v.25 (2023)

Based on Table 5, the profitability variable has a significance value of 0,489 > 0,05, so there are no symptoms of heteroscedasticity. Then the solvency variable has a significance value of 0,430 > 0,05, so there are no symptoms of heteroscedasticity. Then finally the liquidity variable has a significance value of 0,690 > 0,05, so there are no symptoms of heteroscedasticity. From the results of the Glejser test above, it can be concluded that the regression model equation does not contain heteroscedasticity problems and is suitable for hypothesis testing.

4. Autocorrelation Test

The next test in the classic assumption test is the autocorrelation test. This autocorrelation test is to test whether in a multiple linear regression there is a correlation. To see autocorrelation in this study, researchers used the Durbin-Watson test. The results of the autocorrelation test can be seen in Table 6 below:

Table 6
Autocorrelation Test

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	.306a	094	079	.3914991	1080

a. Predictors: (Constant), Liquidity, Profitability, Solvency
b. Dependent Variable: Company Value

Source: data processed with SPSS v.25 (2023)

Based on Table 6 above, it can be explained that the Durbin Watson value of 1,080 is between -2 to +2, so there is no autocorrelation.

c) Model Fit Test

1. Coefficient of Determination

Table 7
Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square
1	.306a	094	079

a. Predictors: (Constant), Liquidity, Profitability, Solvency
b. Dependent Variable: Company Value

Source: data processed with SPSS v.25 (2023)

Based on Table 7, the value of the adjusted R square is 0,094, the magnitude of the effect of profitability, solvency and liquidity on firm value collectively or as a whole is 9,4% while the remaining 90,6% is influenced by other variables outside the research model.

2. Simultaneous Test (F Statistical Test)

Simultaneous test (F test) is basically carried out to find out whether all the independent or independent variables in the model have a joint effect on the dependent variable(Ghozali, 2013). The F test decision was made by looking at the F significance level at the output of the regression results with a significant level of 5% (0,05). If the significant value is greater than 5%, the hypothesis is rejected (coefficient rejected), which means that all independent variables have no joint effect on the dependent variable, whereas if the significant value is less than 5%, the hypothesis is accepted, which means that all independent variables have a joint effect. -same to the dependent variable.

Table 8
Simultaneous Test Results (Test F)
ANOVA

Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	2,843	3	.948	6,184	.001b
	residual	27,436	179	.153		
	Total	30,279	182			

a. Dependent Variable: Company Value

b. Predictors: (Constant), Liquidity, Profitability, Solvency

Source: data processed with SPSS v.25 (2023)

Based on Table 8, it can be seen that the calculated F value in this study is 6,184 with a significance level of 0,001. F table can be seen in the statistics table at a significance level of 0,05 with df1 (number of variables – 1) = 3 and df2 (nk-1) with the result df2 = 183-3-1 = 179 (n is the number of samples and k is the number independent variable), the results obtained for the F table are 2,65. So F count is greater than F table (6,184 > 2,65) and the significance value of the statistical test is less than 0,05 (by 0,001 <0,05) then Ha is accepted and H0 is rejected. The regression model used in this study is appropriate and can be used to predict the effect of the independent variables on the dependent variable. The conclusion of the study explains that the variable profitability,

d) Hypothesis Test (T Test)

This test is conducted to determine whether each independent variable significantly affects the dependent variable. The following is a picture of the regression coefficient:

Table 9
Hypothesis Test Results (T Test)

Model		t	Sig.
1	(Constant)	.651	.516
	Profitability	2,540	012
	Solvability	-.323	.747
	Liquidity	-2,334	.021

a. Dependent Variable: Company Value

Source: data processed with SPSS v.25 (2023)

Based on Table 9 above, it can be explained as follows:

1. Profitability Partial Test

The results of the hypothesis test for the profitability variable obtained a t value of 2,540 greater than t table (2,540 > 1,973) and a significance value of 0,012 less than 0,05 (0,012 <0,05) which means Ha is accepted and H0 is rejected. In conclusion, the profitability variable has a positive and significant effect on the firm value variable.

2. Solvability Partial Test

The results of the hypothesis test for the solvency variable obtained a t value of -0,323 less than t table (-0,323 <1,973) and a significant value of 0,747 greater than 0,05 (0,747 > 0,05) then Ha is rejected and H0 is accepted. In conclusion, the solvency variable has a negative and insignificant effect on the firm value variable.

3. Liquidity Partial Test

The results of the hypothesis test for the liquidity variable obtained a t value of -2,334 less than 0,05 (-2,334 <1,973) and a significant value of 0,021 less than 0,05 (0,021 <0,05) then Ha is accepted and H0 is rejected. In conclusion, the liquidity variable has a negative and significant effect on firm value variables.

e) Multiple Linear Regression Analysis

This analysis is used to determine the strength of the relationship between the independent variables and the dependent variable. Is there a positive or negative relationship in predicting the value of the dependent variable if the value of the independent variable increases or decreases. The following are the results of testing multiple linear regression analysis:

Table 10
Multiple Linear Regression Results

Model		Unstandardized Coefficients	
		B	std. Error
1	(Constant)	.554	.851
	Profitability	1,550	.610
	Solvability	-.255	.791
	Liquidity	-.429	.184

a. Dependent Variable: Company Value
Source: data processed with SPSS v.25 (2023)

Based on Table 10 it is known that the results of multiple linear regression analysis, the regression equation is obtained as follows:

PBV = 0,554 + 1,550ROA – 0,255DAR – 0,429LDR + e

The description of the above equation is:

1. A constant value of 0,554 indicates that if the variables of profitability, solvency and liquidity are fixed, the variable value of the company has increased.
2. The regression coefficient value of the profitability variable is 1,550 with a positive sign, meaning that every increase in profitability will increase the firm value by 1,550.
3. The regression coefficient value of the solvency variable is 0,255 with a negative sign, meaning that any increase in solvency will reduce the firm value by 0,255.
4. The regression coefficient value of the liquidity variable is 0,429 with a negative sign, meaning that any increase in liquidity will decrease the firm's value by 0,429.

f) Discussion of Research Results

Based on the research results which are based on the results of data processing related to the title, problems and hypotheses, there are several things that can be explained as follows:

1. Effect of Profitability on Firm Value

Based on the results of the research that has been done, the results show that the profitability variable has a significant effect on firm value. This can be seen in table 10 which shows the profitability variable has a t-count value of 2,540 greater than t-table (2,540 > 1,973) and a significance value of 0,012 less than 0,05 (0,012 <0,05) which means Ha is accepted, so it can be concluded that the proximate profitability of Return on Assets has a positive and significant effect on firm value. In accordance with the hypothesis in chapter 2 which says that profitability has a positive effect on firm value, the results of this test accept the hypothesis. The greater the profitability, the higher the company value proxied by Price to Book Value. The results of this study support the research of Putu Shiely Komala (2021) and Rudy Darmawan (2020) which state that profitability has a very important meaning for a company, because it is one of the factors to assess whether a company's performance is good or bad. The higher the profit earned, the higher the firm value, because high profits will provide an indication of good company prospects, so that it can trigger investors to participate in increasing demand for shares, so that the company's stock price will rise and will cause the company's value to increase. However, this study does not support the research of Ira Ardianing Saputri & Supramono (2021), which states that profitability has a negative and insignificant effect on firm value.

2. Effect of Solvency on Firm Value

Based on the results of the research that has been done, the results show that the solvency variable does not have a significant effect on firm value. This can be seen in table10 which shows the solvency variable has a t value of -0,323 less than t table (-0,323 <1,973) and a significant value of 0,747 greater than 0,05 (0,747 > 0,05) then Ha is rejected and H0 is accepted, so it can be concluded that solvency proxied by the Debt to Assets Ratio has a negative and not significant effect on firm value. In accordance with the hypothesis in chapter 2 which says that the Debt to Assets Ratio has a negative effect on firm value, the results of this test accept the hypothesis. The smaller the solvency value, the higher the firm value. The results of this study support the research of Putu Shiely Komala (2021), Aditya Permana & Henny Rahyuda (2019) which states that solvency has a negative effect on firm value. Where this shows that investors pay attention to the amount of liabilities or debt owned by the company, if the assets owned by the company are not greater than the debt owned, the company has a higher risk of going bankrupt because the greater the Debt to Asset Ratio, the greater the debt composition. Thus impacting the company's greater burden on outsiders (creditors). However, this study is not in line with the research of Jessica Artamevia & Yuliani Almalita which states that solvency has a positive effect on firm value.

3. Influence Liquidity to Company Value

Based on the results of the research that has been done, the results show that the liquidity variable has a significant effect on firm value. This can be seen in table10 which shows the liquidity variable has a t value of -2,334 less than 0,05 (-2,334 <1,973) and a significant value of 0,021 less than 0,05 (0,021 <0,05) then Ha accepted, so it can be concluded that liquidity proxied by the Loan to Deposit Ratio has a negative and significant effect on firm value. In accordance with the hypothesis in chapter 2 which says that liquidity has a negative effect on firm value, the results of this test accept this hypothesis. The higher the liquidity value (LDR), the lower the company value. The results of this study support the research of Nensi Yuniarti (2022), Ira Ardianing Saputri and Supramono (2021) which state that the Loan to Deposits Ratio has a negative effect on firm value. This is because the higher the credit risk reflects the higher the risks faced by banks in operational activities, bank investments and poor bank credit quality or bad loans. However, this research is not in line with the research of Galuh Tri Pambekti (2022), which states that the Loan to Deposit Ratio has a positive and significant effect on company value.

V. CONCLUSION

This study examines the profitability (ROA), solvency (DAR) and liquidity (LDR) on firm value (PBV). This study uses company research objects in the banking sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021. Based on the research results, the following conclusions are obtained:

1. The results show that profitability, solvency and liquidity together have a significant effect on firm value. This means that if profitability, solvency and liquidity experience changes, increase or decrease, it will have an impact on increasing and decreasing company value in banking companies listed on the Indonesia Stock Exchange in 2017 – 2021.
2. Profitability proxied by Return on Assets has a significant and positive effect on firm value. This is because profitability is an element that is highly considered by both management and investors because it shows the company's ability or performance in obtaining profits.
3. Solvability has no significant and negative effect on firm value. Solvability is the ratio used to measure the extent to which a company's assets are financed with debt.
4. Liquidity proxied by the Loan to Deposit Ratio has a significant and negative effect on firm value. This is because the Loan to Deposit Ratio is something that investors pay attention to in order to measure a bank's ability to pay back withdrawals made by depositors by relying on credit provided as a source of liquidity.

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