Jurnal Manajemen Bisnis Vol. 12, No.1 (2025) March, Page. 195-210
e-ISSN: 2621-1971 | p-ISSN: 2088-7086

The Influence of Debt to Asset Ratio, Debt to Equity Ratio, Return on Assets, and Return on Equity on Firm Value in Financial Sector Companies Listed on the Indonesia Stock Exchange

Karina Ayu Aristawati[1*], Dedi Hariyanto[2]
[1*,2]*Department of Management, Faculty of Economics and Business, Universitas Muhammadiyah Pontianak, Kota Pontianak*

ARTICLE INFO

Email Correspondence:
media.karina@gmail.com

Keywords:
Debt to Assets Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, Firm Value

DOI:
https://doi.org/10.33096/jmb.v12i1.1080

ABSTRACT

This study set out to explore how four financial ratios – DAR (Debt to Asset Ratio), DER (Debt to Equity Ratio), ROA (Return on Assets), and ROE (Return on Equity) – influence the value of banking businesses listed on the Indonesia Stock Exchange (IDX). Using a quantitative method, researchers analyzed the financial statements of IDX-listed companies in the financial sector through multiple linear regression. To ensure the reliability of the regression model, it was tested for normality, multicollinearity, heteroscedasticity, and autocorrelation using classical assumption tests. However, the results showed that none of the four variables – DAR, DER, ROA, or ROE – had a significant impact on firm value, either individually or collectively. This was confirmed by both the F-test and the t-test. The model's R^2 value was just 0.014, meaning these variables explain only 1.4% of the changes in firm value. The remaining 98.6% is likely influenced by other factors outside the scope of this study. In short, this research suggests that DAR, DER, ROA, and ROE may not be the most useful indicators for assessing the value of financial sector companies. Future studies should consider additional variables, such as broader economic conditions and internal management strategies, to gain deeper insights into what drives firm value in this industry.

ABSTRAK

Penelitian ini bertujuan untuk mengetahui bagaimana empat rasio keuangan – DAR (Debt to Asset Ratio), DER (Debt to Equity Ratio), ROA (Return on Assets), dan ROE (Return on Equity) – mempengaruhi nilai perusahaan perbankan yang terdaftar di Bursa Efek Indonesia (BEI). Dengan pendekatan kuantitatif, peneliti menganalisis laporan keuangan perusahaan sektor keuangan yang terdaftar di BEI menggunakan regresi linier berganda. Untuk memastikan keandalan model regresi, dilakukan pengujian asumsi klasik yang mencakup uji normalitas, multikolinearitas, heteroskedastisitas, dan autokorelasi. Namun, hasil penelitian menunjukkan bahwa keempat variabel – DAR, DER, ROA, dan ROE – tidak memiliki pengaruh signifikan terhadap nilai perusahaan, baik secara bersama-sama maupun secara individual. Hal ini diperkuat oleh hasil uji F dan uji t. Nilai R^2 dari model ini hanya sebesar 0,014, yang berarti bahwa keempat variabel tersebut hanya menjelaskan sekitar 1,4% dari variasi nilai perusahaan. Sisanya, sebesar 98,6%, kemungkinan dipengaruhi oleh faktor-faktor lain di luar ruang lingkup penelitian ini. Singkatnya, hasil penelitian ini menunjukkan bahwa DAR, DER, ROA, dan ROE bukan merupakan indikator utama dalam menilai nilai perusahaan di sektor keuangan. Oleh karena itu, penelitian lanjutan disarankan untuk mempertimbangkan variabel lain, seperti kondisi makroekonomi dan strategi manajemen, guna memahami lebih dalam faktor-faktor yang memengaruhi nilai perusahaan di industri ini.

INTRODUCTION

In the contemporary era of an open economy, the growth of the global economy is expanding rapidly. The evolution of the internet and the global spread of technology have transformed commercial transactions, facilitating simpler, faster and more efficient online buying and selling operations. This allows companies to promote more widely and at a lower cost. Conversely, this accessibility increases competition among commercial entities that strive to provide goods or services at a superior value compared to their competitors.

In a competitive business landscape, established firms must maintain and enhance their competitiveness to survive and achieve optimal profitability. The main objective of setting up a company is to maximize profits. The achievement of this goal depends largely on the strategy and efficacy of the company's financial management. Inadequate financial management will hinder the firm's ability to maximize resources and overcome existing business difficulties.

In the goods and capital markets, organizations compete not only to sell goods but also to attract investors. One of the main ways to evaluate the value of a company is by looking at its share price in the stock market. Investors will look at a company's valuation as an important criterion in evaluating the viability of their investment. A higher company valuation increases the potential to obtain additional funds for the company's growth and development. Consequently, a company's valuation signals expectations and possibilities for future business expansion, which ultimately affects the capacity to achieve increased profits.

Every company has fundamental objectives in its operations, one of which is to optimize profits. To do this, the company must effectively manage its resources, both its own capital and external money. High profitability is usually more attractive to investors as it indicates stable financial performance and promising growth potential. As a result, increasing profitability and firm value are essential in business strategy to maintain competitiveness and expand investment prospects.

Financial statements are a key tool for assessing the health and performance of a business. A company's financial statements detail its income and expenses for a given period of time as well as its assets, liabilities, equity, and other financial metrics. Stakeholders can gain insights into a company's financial health, profitability, and data structure through these reports, which will help them make strategic choices. These reports accurately reflect the results of a company's operational actions, which are designed to ensure the viability and maximize the profitability of its commercial endeavors. The financial statements of profit-oriented companies differ from those of non-profit organizations, which prioritize transparency in the use of funds over profit generation.

To select the best company, a thorough financial analysis needs to be conducted by evaluating the company's existing financial statements. Access to this information benefits internal and external stakeholders, such as company management, regulators, creditors, financial analysts, and individual and institutional investors. This information is used by retail investors to evaluate risks and possible returns, while financial institutions utilize it to build investment portfolios and ensure risk management. Companies are evaluated by

creditors to determine their creditworthiness, and regulators utilize the results of these evaluations to develop regulations that will maintain the stability of the financial system. The findings of this study not only assist investors in making more informed choices, but also have the potential to influence the formation of corporate strategies and economic policies in the years to come.

For the purpose of assessing financial statements, financial ratios are a common methodology. The purpose of calculating financial ratios is to gain a better understanding of a company's health and performance by comparing different parts of the financial statements. This is achieved through quantitative analysis. To find these ratios, take two numbers from the same financial statement or, for trend analysis, use data from previous periods and divide the two. Capacity to generate profits, liquidity to meet short-term obligations, solvency to determine the long-term sustainability of the business, and operational efficiency in utilizing available resources are important financial ratios that help evaluate various fundamental aspects of a company. Everyone involved in the decision-making process, including management, investors, creditors, and others, can benefit greatly from the use of financial ratios.

IDX is a capital market that facilitates investment by connecting organizations that have excess funds with other organizations that lack funds. IDX serves as a platform for companies to raise cash through the issuance of stocks and bonds, while offering investment options to the general public. Publicly traded companies can obtain additional financing through the stock market, eliminating the need for bank loans. As a result, the IDX serves as a more adaptive financing option and can stimulate national economic development by increasing investment and securities trading activities.

Through continuous business development, innovation in products and services, and increased sharia-based financial inclusion, PT Bank Syariah Indonesia Tbk (BSI) has become a leading player in Indonesia's sharia finance industry. One of the key initiatives contributing to BSI's business development is the BSI Agen program, a smart agent business that enables sharia-based financial services to be more accessible to the public. As of July 2024, transactions generated through BSI Agen reached Rp31 trillion, with a total of approximately 15,000 transactions conducted by 103,614 agents spread across Indonesia.

According to Anton Sukarna, Director of Sales and Distribution at BSI, more than 60% of BSI agents are currently located in Aceh Province. This indicates a considerable penetration of Islamic banking services. Meanwhile, the rest are spread across various parts of Indonesia, with a very large population in Java and other places that have room to grow economically according to sharia law. This program is expected to not only increase sharia-based financial inclusion but also strengthen the sharia economic ecosystem and provide wider social and economic benefits to the community.

As one of the largest Islamic banks in Indonesia, PT Bank Syariah Indonesia Tbk (BSI) has a reputation for consistently strong financial performance. Net profit booked by BSI in the first quarter of 2024 reached Rp17 trillion, according to the financial report. This reflects year-on-year growth of 17.1% compared to the same period the previous year. Furthermore, overall financial assets rose 14.3% year-on-year to IDR357.9 trillion, and

intermediation or financing functions rose 15.2% year-on-year to IDR244.1 trillion. Improved operational efficiency, wider financing options, and digital innovations that boosted the company's competitiveness all contributed to this success. BSI's fund customers have increased to 20.1 million so far, and this number will only grow as the company optimizes its Islamic finance ecosystem, expands its branch network, and develops technology-based services. By implementing this approach, BSI reaffirms its commitment to driving long-term national economic prosperity in accordance with sharia principles.

LITERATURE REVIEW

Company Financial Performance Analysis

The financial performance of a company is evaluated in the business world based on a number of metrics that show how well the company manages its resources, how stable its finances are, and how efficient its operations are. To get a complete picture of a company's capital structure, profitability and value, analysts often look at a variety of important financial statistics when assessing a company's financial health. Some of the ratios often used in financial analysis are DAR and DER. The former measures the proportion of a company's assets funded by debt, while the latter describes the balance between equity and debt in the funding structure. Furthermore, profitability measures such as ROE and ROA evaluate the efficiency of a business in converting its equity and assets into profit. In addition, the market's view of a company's success and future prospects is reflected in its valuation, which is an important indication. Stakeholders can make better judgments about investments, company plans, and financial policies by thoroughly understanding and evaluating these ratios, which will lead to sustainable growth.

Debt to Asset Ratio/DAR

One financial metric that shows how dependent a company is on debt-based funding is DAR, which is the ratio of a company's total debt to its total assets. Increased financial risk if the company has problems meeting payment commitments is associated with higher DAR values, as this suggests that a larger proportion of assets are funded by debt. On the other hand, a lower DAR indicates that the company uses more of its own capital, which means that its financial structure is more solid and its debt burden is smaller. Investors and creditors rely on DAR analysis to gauge a company's financial well-being and funding plans.

Debt to Equity Ratio/DER

A company's leverage and capacity to meet its financial commitments can be better understood by calculating DER, which is the ratio of debt to equity in its financial structure. Investors and creditors use this ratio to measure the proportion of equity funding to debt financing. Companies with lower DER have a more solid financial structure and are better equipped to meet their long-term obligations as they are less dependent on loans. On the other hand, a high DER indicates that the company is taking on more debt to finance its growth and operations, which can increase interest costs and liquidity risks especially in uncertain economic times.

Return on Assets/ROA

The financial metric known as ROA evaluates a company's efficiency in converting its total assets into profit. As a measure of the efficiency of a company's resource utilization, this ratio is obtained by comparing profit before tax to total assets. An increasing ROA indicates that the company is successfully converting its assets into profit, which in turn indicates that its operational methods and financial management are successful. The ability to maximize investment, generate value for shareholders, and increase market competitiveness are good indicators of ROA.

Return on Equity/ROE

An important financial metric is ROE, which shows how profitable a company is compared to the money shareholders invest. This ratio shows how well management has managed to turn their money into profit. ROE measures how well a company manages to return capital to its investors. The capacity to create long-term value for stakeholders and shareholders, as well as a stable and increasing ROE, are all signs of a well-managed financial plan.

Company Value and Investment Prospects

One of the key ways to gauge a company's success is by looking at its value — a reflection of both its financial health and its potential for future growth. For investors, the company's value plays a major role in determining whether it's a worthwhile investment. That's why it's essential to apply the right strategies to boost it. A well-thought-out dividend policy can build investor trust, smart financial management can support growth without overloading the capital structure, and strategic investments can drive long-term expansion. PT Bank Syariah Indonesia Tbk (BSI) continues to show solid performance. The company is growing its reach through the BSI Agent program while strengthening its financial standing through asset growth, increased financing, and rising earnings. With a focus on innovation, sound leadership, and the right strategic direction, BSI is well-positioned to reinforce its role as a leader in Indonesia's Islamic banking sector — all while delivering greater value to its stakeholders and shareholders.

RESEARCH METHOD

This study adopts an associative research strategy to analyze the relationship between various financial factors and firm value. The independent variables in this study include DAR (Debt to Asset Ratio), DER (Debt to Equity Ratio), ROA (Return on Assets), and ROE (Return on Equity), while firm value serves as the dependent variable. The main objective of this research is to determine the extent to which these financial factors influence firm value, particularly within the banking and insurance industries listed on the Indonesia Stock Exchange (IDX). A documentation study approach is used, relying on secondary data sources to gather relevant information. The financial data for this study is derived from the 2020–2022 annual reports available on the official IDX website (www.idx.co.id). Researchers utilize this publicly accessible and verified data to perform the analysis.

The selection of the research population and sample is guided by Sugiyono's definition (2017), which states: "A population is a general area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and from

which conclusions are drawn." Based on this definition, the study identifies 155 financial institutions listed on the IDX as the population. However, since not all companies meet the study's criteria, a purposive sampling technique is applied to select the most relevant sample. According to Sugiyono (2015), purposive sampling is a method that considers specific factors identified by the researcher. Through this method, a sample of 98 companies that meet the predetermined criteria is selected. The data is processed using quantitative analysis techniques. Before conducting regression analysis, a classical assumption test is carried out using SPSS to ensure the suitability of the data. The next step involves hypothesis testing to determine the significance of the relationship between the dependent and independent variables using statistical analysis. This approach is expected to yield reliable results and provide insights into the factors that influence firm value in the financial sector.

RESULT and DISCUSSION

Classical Assumption Test

Normality Test

An important part of any statistical research is to check the normality of the data to ensure it conforms to the requirements of linear regression. This research uses the Kolmogorov-Smirnov test, which checks for normality by examining the residual distribution of the regression model. If the resulting significance value is more than 0.05, we say that the residuals are normally distributed. The findings of the regression analysis may not be valid if the data is not regularly distributed, which occurs when the significance value is less than 0.05. So, to ensure the analysis model can provide correct findings and can be properly understood, the normality test is an important step.

Table 1 *Normality Tes Results*

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			315
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		1.90470656
Most Extreme Differences	Absolute		.058
	Positive		.058
	Negative		-.033
Test Statistic			.058
Asymp. Sig. (2-tailed)			.012[c]
Monte Carlo Sig. (2-tailed)	Sig.		.220[d]
	99% Confidence Interval	Lower Bound	.209
		Upper Bound	.231

Based on the normality test results shown in table 1, the value of Monte Carlo Sig. (2-tailed) is 0.220, which is above the 0.05 significance level. The residual values of the study follow a normal distribution.

Multicollinearity Test

The multicollinearity test is designed to determine whether there is a correlation among the independent variables in the regression model. A strong correlation between these variables can result in unstable coefficient estimates and increased variance in parameter estimates, which may distort the interpretation of the regression results. Therefore, to produce accurate and reliable findings, it is essential to ensure that the regression model is free from multicollinearity. This study uses the Variance Inflation Factor (VIF) and Tolerance values as indicators of multicollinearity. If the VIF value is less than or equal to 10, the model is considered free from multicollinearity, as higher values suggest a significant relationship between the independent variables. Similarly, the model is assumed to be free of multicollinearity if the Tolerance value is 0.1 or higher. By conducting this test, researchers can confirm that the relationships among the independent variables remain valid and do not interfere with the interpretation of the dependent variable.

Table 2 *Multicollinearity Test Results*

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	DAR	.980	1.021
	DER	.826	1.211
	ROA	.844	1.185
	ROE	.790	1.266

All variables—DAR (0.980), DER (0.826), ROA (0.844), and ROE (0.790)—have Tolerance values above 0.1, which is a recognized threshold indicating the absence of multicollinearity. These values are derived from the data presented in the previous table. Additionally, each variable's Variance Inflation Factor (VIF) is below 10: DAR (1.021), DER (1.211), ROA (1.185), and ROE (1.266). Based on the decision criteria for the multicollinearity test, it can be concluded that the regression model in this study does not suffer from multicollinearity. This means the independent variables do not exhibit a strong correlation with one another. As a result, the regression analysis can be conducted accurately, without distortion caused by multicollinearity. The absence of multicollinearity ensures that the parameter estimates in the model remain stable, allowing for a more precise interpretation of the results. This also contributes to more reliable conclusions and informed decision-making based on the analysis.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether the residual variance in the regression model is not the same or not. It is possible that heteroscedasticity can lead to incorrect standard error estimates, so that the regression results become biased and less reliable. Because of its significance value, this study used the Glejser test to determine the presence of heteroscedasticity. If the significance value is greater than 0.05, then the model is said to be free from heteroscedasticity. Conversely, if the significance value is smaller than 0.05, then the model is proven to be heteroscedasticity. This test is important to ensure

that the regression model has met the statistical assumptions needed so that the analysis can be carried out validly and reliably.

Table 3 *Heteroscedasticity Test Results*

Unstandardized Coefficients		Standardized Coefficients		
B	Std. Error	Beta	t	Sig.
1406.546	947.747		1.484	.139
-1.838	10.186	-.010	-.180	.857
-44.958	55.695	-.050	-.807	.420
-1.644	18.034	-.006	-.091	.927
57.480	21.116	.172	2.722	.007

The heteroscedasticity test results, as shown in the table above, indicate that the variables DAR (0.857), DER (0.420), and ROA (0.927) have significance values greater than 0.05. This suggests that there is no evidence of heteroscedasticity in these variables. However, the ROE variable shows a significance value of 0.007, which is below the 0.05 threshold, indicating the presence of heteroscedasticity. This condition suggests that the residual variance for the ROE variable is not constant, which may reduce the accuracy and efficiency of the regression estimates. To address this issue, additional steps are needed. These may include transforming the data, applying more robust regression techniques, or using alternative methods to ensure the regression model better adheres to the classical assumptions.

Autocorrelation Test

The autocorrelation test is used to check whether the residuals (or errors) from one time period are related to those from previous periods (such as t-1, t-2, and so on). Autocorrelation can lead to biased or misleading estimates in a regression model, so it's important to ensure that the model is free from this issue. One of the most commonly used tools to detect autocorrelation is the Durbin-Watson (D-W) test. Here's how to interpret the results:

1. A D-W value **less than -2** suggests **positive autocorrelation** in the model.
2. A D-W value **between -2 and +2** indicates **no autocorrelation**.
3. A D-W value **greater than +2** points to **negative autocorrelation**.

Conducting this test is an essential step in regression analysis, as it helps ensure that the model provides reliable and accurate estimates.

Table 4 *Autocorrelation Test Results*

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.116[a]	.014	.001	15396.01876	2.027

Based on Table 4, the Durbin-Watson value is 2.027. This value falls within the range between DU and 4-DU (1.7617 < 2.027 < 2.2285), indicating that there is no autocorrelation

in the regression model. Autocorrelation, which occurs when residuals are correlated across time periods, can lead to biased and less reliable estimation results. The absence of autocorrelation suggests that the model meets the assumptions of classical linear regression, making it more robust and reliable for further analysis. Therefore, we can be confident that the residuals are independent, and the regression estimates are not distorted by autocorrelation.

Linerity Test

To ensure the accuracy of the regression model parameters, a linearity test is conducted, as suggested by Ghozali (2016:158). This test plays a crucial role in regression analysis because it determines whether there is a linear relationship between the independent and dependent variables—an essential condition for producing valid and reliable estimates. The linearity test helps confirm whether the variables in a study are related in a straight-line manner. According to Priyatno (2017:95–96), the *Deviation from Linearity* value is commonly used to interpret the results of this test. If the significance level is greater than 0.05, it indicates that the relationship between the variables is linear, and regression analysis can proceed. On the other hand, a significance value below 0.05 suggests a non-linear relationship, which could affect the reliability of the regression model. Conducting a linearity test is therefore an important step in validating the assumptions of the regression model and ensuring that the results can be confidently used for decision-making.

Table 5 *Linerity Test Results*

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
PBV * DAR	Between Groups	(Combined)	9687382640.805	115	84238109.920	.259	1.000
		Linearity	10661215.476	1	10661215.476	.033	.857
		Deviation from Linearity	9676721425.328	114	84883521.275	.261	1.000
	Within Groups		64803165866.156	199	325644049.579		
	Total		74490548506.961	314			

In this study, the researchers conducted a linearity test to ensure that all variables in the regression model exhibit a linear (straight-line) relationship. As shown in Table 5, the significance values for *Deviation from Linearity* for each variable are greater than 0.05. This indicates that the assumption of linearity has been met, confirming that the regression model is appropriate for further analysis.

Statistical Test

Multiple Linear Regression Analysis

According to Sugiyono (2017), multiple linear regression analysis is used to predict changes in a dependent variable based on changes in two or more independent variables within a research model. In this study, the multiple linear regression model is formulated as:

$$\mathbf{PBV = \alpha + \beta_1 DAR + \beta_2 DER + \beta_3 ROA + \beta_4 ROE + €}$$

Here, $\boldsymbol{\alpha}$ represents the constant, while $\boldsymbol{\beta_1, \beta_2, \beta_3,}$ **and** $\boldsymbol{\beta_4}$ are the regression coefficients for each independent variable: **DAR**, **DER**, **ROA**, and **ROE**.

- **DAR** (Debt to Asset Ratio) measures the proportion of total debt to total assets.
- **DER** (Debt to Equity Ratio) compares total debt to shareholders' equity.
- **ROA** (Return on Assets) indicates how effectively a company uses its assets to generate profits.
- **ROE** (Return on Equity) reflects the return generated on shareholders' equity.

The symbol **€** represents the error term, accounting for other factors outside the model that may influence firm value. This model is designed to evaluate the combined contribution of the independent variables to firm value (as measured by PBV), with the goal of identifying the key financial factors that influence company performance and valuation.

Table 6 *Multiple Linear Regression Analysis Results*

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	807.117	969.604		.832	.406
	DAR	-1.248	10.421	-.007	-.120	.905
	DER	-37.638	56.979	-.041	-.661	.509
	ROA	-11.446	18.450	-.038	-.620	.535
	ROE	44.315	21.603	.130	2.051	.041

a. Dependent Variable: PBV

The results of the multiple linear regression analysis indicate that the constant value obtained is 807,117, as shown in Table 1.6. This means that if all independent variables (DAR, DER, ROA, and ROE) are set to zero, the firm's value would remain at 807,117. The fact that the constant is positive suggests a unidirectional relationship between the independent variables and the dependent variable. In other words, assuming all other factors remain constant, an increase in any of the independent variables is likely to lead to an increase in firm value. This finding highlights that changes in the financial ratios being analyzed can either increase or decrease the value of the business. Such insights can serve as a valuable foundation for strategic decision-making, both for company management and investors.

Multiple Correlation Analysis (R)

According to Sujarweni (2015), one way to determine whether two or more variables are related is by using a statistical correlation approach. This method does not distinguish between dependent and independent variables, nor does it imply a functional or causal relationship. Instead, correlation analysis is used purely to measure the strength of the relationship between variables.

Sugiyono (2017) further explains the interpretation of correlation coefficients, outlining five levels of relationship strength:

- **Very weak** (0.00–0.199)
- **Weak** (0.20–0.399)
- **Moderate** (0.40–0.599)

- **Strong** (0.60–0.799)
- **Very strong** (0.80–1.000)

These categories help researchers interpret the degree of association between variables, making it easier to understand the nature of relationships in statistical studies.

Table 7 *Results of Multiple Correlation Analysis (R)*

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change
1	.116[a]	.014	.001	15396.01876	.014

a. Predictors: (Constant), ROE, DAR, ROA, DER

The table shows that the relationship between firm value and the financial ratios—Debt to Asset Ratio (DAR), Return on Assets (ROA), and Return on Equity (ROE)—is very weak, as indicated by a Multiple Correlation (R) value of just 0.116. This low correlation suggests that there is little connection between the dependent variable (firm value) and the independent variables used in this study. In other words, financial ratios alone do not fully explain what drives a company's value. Other factors—such as macroeconomic conditions, internal company policies, or overall market sentiment—may have a greater influence on firm value than the financial indicators analyzed here. To gain a more complete understanding of what truly impacts firm valuation, future research should consider incorporating these broader elements into the analysis.

Coefficient of Determination Analysis (R^2)

The coefficient of determination, or R Square (R^2), is a statistical measure that indicates the extent to which the independent variables in a regression model explain the variance in the dependent variable. The value of R^2 ranges from 0 to 1, where 0 means the model provides no explanatory power, and 1 means it explains the variance entirely. Therefore, R^2 is a key metric for assessing how well the regression model fits the data and how robust it is in explaining the phenomenon under study. Based on the analysis in Table 7, the calculated R^2 value is 0.014, or 1.4%. According to Chin (1998), this result is considered weak, as it falls significantly below the threshold of 0.67, which indicates a strong model. This means that the independent variables used in this study—DAR, DER, ROA, and ROE—account for only 1.4% of the variation in firm value. The remaining 98.6% is influenced by other factors not included in the model and is captured in the residuals.

One such factor could be the **inflation rate**, which may significantly impact firm value by affecting production costs, consumer purchasing power, and overall financial performance. In terms of production costs, inflation can pressure companies to raise wages in response to the rising cost of living. Moreover, if the increase in production costs exceeds the rise in selling prices, profitability may decline. On the consumer side, inflation erodes purchasing power, requiring consumers to spend more for the same goods, which may lead to decreased consumption levels. In light of these findings, the low R^2 value suggests that there are still many other important variables influencing firm value. Future research should consider incorporating macroeconomic indicators and internal company policies to

gain a more comprehensive understanding of the factors that truly drive firm performance and value.

Hypothesis Testing

Simultaneous Test (F Test)

The F-test is used to determine whether all the independent variables in a regression model, when considered together, have a significant impact on the dependent variable. In this context, the alternative hypothesis (H_a) states that firm value is significantly influenced by financial ratios such as DER, ROA, and DAR. On the other hand, the null hypothesis (H_0)suggests that these variables do not have a significant effect on firm value. To decide which hypothesis to accept, we look at the significance value from the F-test. If this value is less than 0.05, H_0 is rejected, meaning that the independent variables do have a meaningful combined effect on the dependent variable. Conversely, if the significance value is greater than 0.05, we accept H_0, indicating that the independent variables do nothave a statistically significant joint influence on firm value. This assessment helps validate the reliability of the regression model and provides valuable insights for stakeholders, especially in making investment decisions and shaping financial strategies based on the relationship between financial indicators and business value.

Table 8 *Simultaneous Test Results (F Test)*

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1008956443.135	4	252239110.784	1.064	.374[b]
	Residual	73481592063.826	310	237037393.754		
	Total	74490548506.961	314			

a. Dependent Variable: PBV

b. Predictors: (Constant), ROE, DAR, ROA, DER

Table 8 presents the results of the analysis, which lead to the acceptance of the null hypothesis (H_0) and the rejection of the alternative hypothesis (H_a). This means that ROA, ROE, DAR, and DER do not have a significant impact on firm value. The calculated F-value is 1.064, which is lower than the F-table value at the chosen significance level, and the significance value of 0.374 exceeds the 0.05 threshold. These results confirm that the regression model used in this study does not show a statistically significant joint relationship between the independent variables and firm value.

This outcome suggests that other factors outside the model—such as macroeconomic conditions, business strategies, industry competition, and company-specific management practices—may play a more influential role in shaping firm value. Considering the complexity of what drives value in financial sector companies, future research would benefit from incorporating additional variables to better understand the broader picture.

Partial Test (T Test)

The t-test is used by researchers to evaluate how much each independent variable individually contributes to changes in the dependent variable. In this study, a 95% confidence level is applied, using a significance threshold of 0.05. According to the null hypothesis (H_0), firm value is not significantly influenced by the independent variables—namely, Debt to Asset Ratio (DAR), Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER). In contrast, the alternative hypothesis (H_a) suggests that these variables do have an individual impact on firm value. A key indicator for interpreting the t-test results is the significance value (Sig.). If the Sig. value is greater than 0.05, we fail to reject H_0, meaning the variable in question does not have a significant effect on firm value. However, if the Sig. value is less than or equal to 0.05, we reject H_0 and accept H_a, indicating that the independent variable has a meaningful influence on firm value.

Table 9 *Partial Test Results (T Test)*

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	807.117	969.604		.832	.406
	DAR	-1.248	10.421	-.007	-.120	.905
	DER	-37.638	56.979	-.041	-.661	.509
	ROA	-11.446	18.450	-.038	-.620	.535
	ROE	44.315	21.603	.130	2.051	.041

a. Dependent Variable: PBV

As shown in Table 9, the results indicate that the variables DAR, DER, ROA, and ROE do not have a significant impact on firm value. This is evident from their respective significance values: DAR (0.406), DER (0.905), ROA (0.509), and ROE (0.535)—all of which are well above the 0.05 threshold. These results suggest that the four independent variables included in the model do not significantly influence changes in firm value.

Although the overall effect is minimal, it is worth noting that one variable shows a significance value of 0.041, which is close to the 0.05 cutoff. This may indicate a potential, albeit limited, effect. However, the findings as a whole suggest that other factors not captured by the model—such as external market conditions, macroeconomic trends, or company-specific strategies—may have a more substantial influence on firm value.

DISCUSSION

This study aimed to analyze the effect of financial performance indicators—Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Return on Equity (ROE)—on firm value in financial sector companies listed on the Indonesia Stock Exchange (IDX). The results of the multiple linear regression analysis revealed that none of these financial ratios had a statistically significant effect on firm value, either individually or collectively. This was further supported by a low R^2 value of 0.014, indicating that only 1.4% of the variation in firm value could be explained by the independent variables studied.

From a theoretical standpoint, this study relates to **Signal Theory** and **Agency Theory**. According to **Signal Theory**, financial statements and performance indicators serve as signals to investors regarding a firm's prospects and value (Spence, 1973). A strong financial performance is generally expected to enhance investor confidence and, therefore, increase firm value. However, the results of this study do not support this assumption, suggesting that financial ratios alone may not be perceived as strong or reliable signals in the financial sector context.

Agency Theory also provides a useful lens. It posits that there is a potential conflict of interest between shareholders (principals) and management (agents), and that financial performance metrics can help monitor managerial performance (Jensen & Meckling, 1976). Ideally, higher ROA or ROE should indicate effective management and, in turn, positively influence firm value. However, the findings of this study suggest that these metrics do not significantly shape firm valuation, possibly due to external factors that overshadow internal financial performance in investor decision-making.

The absence of significant relationships also aligns with **Stakeholder Theory**, which argues that firm value is not determined solely by financial performance, but also by how well the firm manages relationships with a broader group of stakeholders, including regulators, customers, and society at large (Freeman, 1984). In the context of financial institutions, macroeconomic factors such as inflation, interest rates, policy changes, and market sentiment likely play a much more dominant role in shaping firm value than internal financial metrics.

Although the model fulfilled the classical assumptions—such as normality, no multicollinearity, and absence of autocorrelation—the lack of significant findings points to the need for a more holistic approach. Future research should consider integrating macroeconomic variables and qualitative aspects such as governance practices, corporate reputation, and customer trust to better understand what drives firm value, especially in highly regulated industries like banking and insurance.

CONCLUSIONS

This study found that the financial ratios—DAR, ROA, ROE, and DER—do not significantly influence the firm value of banking companies listed on the Indonesia Stock Exchange (IDX). The F-test results revealed that, when considered together, none of these four variables had a statistically significant impact on firm value. Similarly, the t-test confirmed that none of them—when analyzed individually—showed a meaningful effect either.

In other words, these financial indicators alone are not sufficient to explain changes in firm value in the financial sector. Supporting this, the coefficient of determination (R^2) was found to be just 0.014, meaning that only 1.4% of the variation in firm value could be explained by DAR, DER, ROA, and ROE combined. The remaining 98.6% is likely influenced by other external and internal factors not captured in the model. These may include macroeconomic conditions, shifts in financial regulations, technological advancements, or strategic decisions made by management.

Given these findings, it's clear that firm value—particularly in the banking sector—is shaped by more than just financial ratios. A more comprehensive approach is needed in future research, one that considers a broader range of qualitative and macroeconomic factors to better understand what truly drives enterprise value.

In this context, strategies implemented by Bank Syariah Indonesia (BSI) provide a valuable example of how banks can enhance their value beyond financial ratios. Through efforts to improve operational efficiency, expand financing services, and embrace digital innovation, BSI has significantly strengthened its competitive position. This is reflected in its growing customer base, which has reached 20.1 million fund customers. Continued growth is supported by the development of the Islamic finance ecosystem, the expansion of branch networks, and the implementation of tech-based financial services.

One standout initiative is the BSI Agen program, a smart agent-based model designed to make sharia-compliant financial services more accessible to communities across Indonesia. As of July 2024, this program had facilitated transactions totaling Rp31 trillion, carried out through approximately 15,000 transactions by 103,614 agents nationwide.

These efforts highlight how banks can increase their value not just through solid financial performance, but also through strategic innovation, outreach, and alignment with national economic goals. BSI's approach serves as a practical roadmap for financial institutions looking to enhance their long-term value and contribute meaningfully to Indonesia's economic growth.

REFERENCE

Fahmi, I. (2020). *Pengantar manajemen keuangan*. Bandung: Alfabeta.

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.

Ghozali, I. (2016). *Aplikasi analisis multivariate dengan program IBM SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Kasmir. (2019). *Analisis laporan keuangan*. Jakarta: Raja Grafindo Persada.

Pangesti, D., Sriwidodo, U., & Wibowo, E. (2020). Pengaruh net profit margin dan debt to equity ratio terhadap nilai perusahaan dengan ukuran perusahaan sebagai variabel moderasi. *Jurnal Ekonomi dan Kewirausahaan, 20*(2), 54–67.

Priyatno, D. (2017). *Panduan praktis olah data menggunakan SPSS*. Yogyakarta: Andi.

Rivai, V., Sofyan, B., Sarwono, S., & Veithzal, A. P. (2013). *Commercial bank management: Manajemen perbankan dari teori ke praktik*. Jakarta: Rajawali Press.

Septia, N., & Hariyanto, D. (2024). The influence of current ratio, debt to equity ratio, and net profit margin on company value with company size as a moderating variable in

the financial sector for the 2020–2022 period. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi dan Bisnis, 12*(3), 2453–2462.

Spence, M. (1973). Job market signaling. *The Quarterly Journal of Economics, 87*(3), 355–374. https://doi.org/10.2307/1882010

Sugiyono. (2014). *Metode penelitian pendidikan: Pendekatan kuantitatif, kualitatif, dan R&D*. Bandung: Alfabeta.

Sugiyono. (2015). *Metode penelitian kuantitatif, kualitatif, dan R&D*. Bandung: Alfabeta.

Sugiyono. (2017). *Metode penelitian kuantitatif, kualitatif, dan kombinasi (mixed methods)*. Bandung: Alfabeta.

Sujarweni, W. (2015). *SPSS untuk penelitian*. Yogyakarta: Pustaka Baru Press.

Suriani, N., & Jailani, M. S. (2023). Konsep populasi dan sampling serta pemilihan partisipan ditinjau dari penelitian ilmiah pendidikan. *IHSAN: Jurnal Pendidikan Islam, 1*(2), 24–36.

Wijaya, B. A., Suryadi, E., & Safitri, H. (2019). Analisis pengaruh current ratio (CR), debt to equity ratio (DER), dan asset growth (AG) terhadap return on equity (ROE) perusahaan industri sektor pertambangan di Bursa Efek Indonesia (BEI) periode 2016–2017. *Jurnal Produktivitas: Jurnal Fakultas Ekonomi Universitas Muhammadiyah Pontianak, 6*(1).

Zakiyah, L. N., Kusumawardani, M. R., & Nadhiroh, U. (2022). Analisis rasio likuiditas, solvabilitas, dan profitabilitas untuk menilai kinerja keuangan pada PT. Ace Hardware Indonesia Tbk tahun 2016–2020. *GEMILANG: Jurnal Manajemen dan Akuntansi, 2*(4), 154–163.