

Analysis of The Effect Oo Profitability and Solvency on Company Value in Banking Companies Listed on The LQ45 Index for The Period 2019-2024

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Abstract

This study aims to analyze the effect of return on equity, earnings per share, debt-to-asset ratio, and debt-to-equity ratio on firm value in banking companies listed on the LQ45 for the 2019-2024 period. The data used were secondary, consisting of annual financial reports from each bank. The sample was drawn using a purposive sampling technique. The research model used multiple linear regression. The results showed that return on equity had a significant positive effect on firm value, the debt-to-equity ratio had a significant negative effect, while earnings per share and debt-to-asset ratio had no significant effect. However, return on equity, earnings per share, debt-to-asset ratio, and debt-to-equity ratio simultaneously had a significant effect on firm value in banking companies listed on the LQ45 for the 2019-2024 period.

Keywords: *company value, debt-to-asset ratio, debt-to-equity ratio, earnings per share* JEL Codes :

M41, M15

INTRODUCTION

The banking industry in Indonesia plays a very important role in helping domestic economic growth. Banks collect, manage, and distribute public funds by opening savings, deposit, credit loan, and financing services to individuals, corporations, and even MSMEs as the foundation of the Indonesian economy. Figure 1 shows the development of the amount of funds distributed by the banking industry from 2019 to 2024. The average growth in fund distribution reached 8% per year. The total amount of credit and financing entities from commercial banks registered with the Financial Services Authority (OJK) in January 2025 reached IDR 7,891.76 trillion. This data reflects the significant contribution of commercial banks in supporting economic growth through the distribution of funds to entities such as individuals, corporations, and MSMEs. Therefore, the growth of banking in Indonesia is still very promising because the volume of operational activities in financing alone is quite high and can still generate substantial profits for investors who invest in Indonesia.

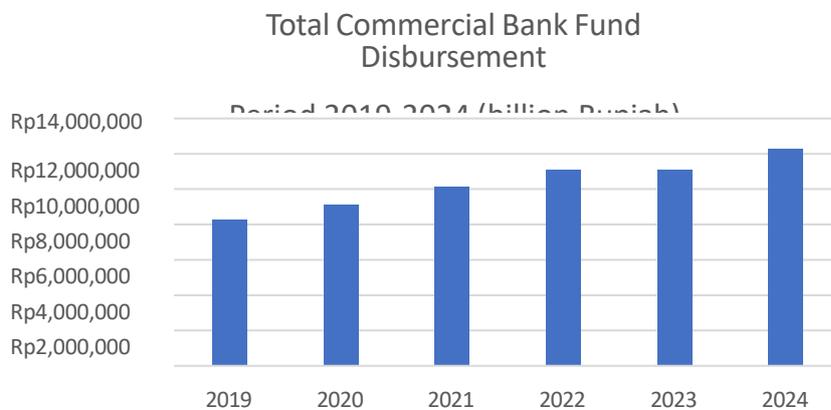


Figure 1. Total Distribution of Commercial Bank Funds for the Period 2019-2024

Source: OJK

The growth of banking in Indonesia is still very promising because the volume of operational activities

in financing alone is quite high and can still generate substantial profits for investors who invest in Indonesia. The increasingly competitive development of the banking industry in Indonesia has led every banking company to compete to continuously improve its performance and company value so that the company remains attractive to investors.

Talking about investment is inseparable from the capital market. In Indonesia, there is an index that collects 45 issuers based on large market capitalisation, high liquidity, and good corporate financial fundamentals, namely the LQ45 Index (Febriani and Muslih, 2020). The LQ45 Index is a collection of listed companies compiled by the Indonesia Stock Exchange based on the criteria mentioned above. The LQ45 Index is also updated and adjusted every six months at the beginning of February and August. According to *IDX Company Fact Sheet LQ45 (2025)* data, there are seven banking companies listed on the LQ45 index, with five banks having state-owned enterprise (BUMN) status and two other banks having private status.

The increasingly competitive development of the banking industry in Indonesia has led every banking company to compete to continuously improve their performance and company value so that they remain attractive to investors. Company value is a reflection of investor confidence in the company's prospects and financial performance, which can be seen through the share price on the capital market (Wijaya, Nurlia, and Juwari, 2025). One of the indicators commonly used to measure company value is *Price to Book Value (PBV)*, which serves to determine how appropriately the market values the company's book value (Brigham and Houston, 2019).

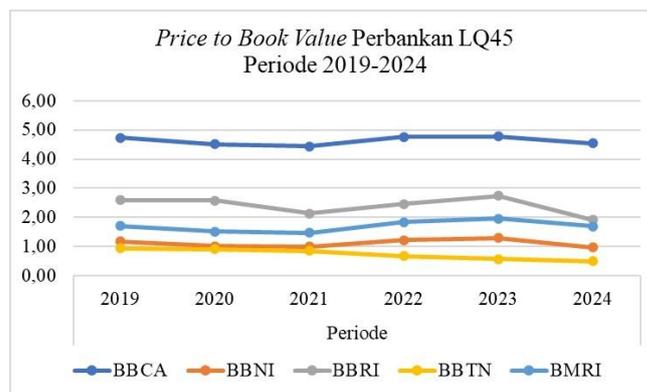


Figure 2. Graph showing the development of the book value of Bank BCA, BNI, BRI, BTN, and Bank Mandiri for the period 2019-2024

As shown in Figure 2, during the 2019-2021 period, most of the five banking companies experienced a decline in their Price to Book Value (PBV) ratio. This downward trend in PBV was the result of the Covid-19 pandemic and the restrictions on economic activity that occurred during the 2020-2021 period. In the 2022-2024 period, BCA, BNI, BRI, and Bank Mandiri experienced an increase in PBV, which occurred in line with the economic recovery after the pandemic, where investors began to regain confidence in the improving economic conditions. On the other hand, during the same period, BTN experienced a decline in PBV. BTN focuses its business on mortgage loans (KPR), so investors in the capital market consider this sector to be quite risky compared to the business focus of BRI, BNI, Bank Mandiri, and BCA. From this picture, it can be seen that investors will consider the benefits and risks of investing.

Company value is a reflection of investor confidence in the company's prospects and financial performance, which can be seen through stock prices in the capital market (Wijaya et al., 2025). Company value is influenced by many factors. Previous studies conducted by Anggriani and Amin (2022); Rini, Sudarmawati, and Barkowa (2023) indicate that positive Return on Equity (ROE) affects company value. Meanwhile, according to a study conducted by Mahmudah and Jayanti (2024), Return on Equity (ROE) has a negative effect on company value. In addition, according to the results of research by Wulandari, Albert, Harianto and Sovi (2021), Return on Equity (ROE) does not affect company value. Investors will be attracted to stocks that have a higher earnings per share, so they will use EPS as a reference for whether or not to invest. Previous studies have stated that EPS affects company value, but there are also studies

that state the opposite. Yulianti, Aulia and Handayani (2023) state that positive EPS affects company value, while Atika (2022) states that EPS has a negative effect on company value. Furthermore, the results of studies conducted by Hutapea, Zebua, and Hayati (2021); Nuridah, Irawan, and Maharani (2023) show that EPS does not affect company value.

The Debt to Asset Ratio is a ratio that describes how much of a company's assets are financed by debt. This ratio is often used by investors to find out how much of a company's assets can be used as collateral for the company's debts. Investors are very concerned with the value of this debt to asset ratio because developments in this ratio will indicate the development of debt. Debt payments pose a risk of reducing company profits. Previous studies conducted by) state that the Debt to Asset Ratio (DAR) has a significant positive effect on company value. The effect of DAR on company value is said to be positive (Purwanti, 2020; Putri and Colline, 2021; Manurung and Lubis, 2022; Puspitarini and Fitria, 2023; Nurbaeti and Naryoto, 2024; Purnomo, Sari and Nuralizah, 2024), while others state that it has an effect but a negative one (Fauji and Nurdiansyah, 2025). On the other hand, there are also research results that say that the Debt to Asset Ratio (DAR) does not significantly affect company value (Anggriani and Amin 2022; Darmawan and Firdausy, 2020).

The Debt to Equity Ratio (DER) is a ratio that compares a company's total debt to its total equity (Suartarma, Endiana, and Kumalasari, 2023). DER describes how much of a company's capital is financed by debt rather than its own capital. Previous studies conducted by Nurbaeti and Naryoto (2024); Purnomo, Sari, and Nuralizah (2024); Purwanti (2020); Puspitarini and Fitria (2023); Putri and Colline (2021) state that the debt to equity ratio (DER) has a significant positive effect on company value. However, according to Wijaya, Nurlia, and Juwari (2025), the debt-to-equity ratio (DER) has a negative effect on company value. Furthermore, research conducted by Wulandari, Albert, Harianto and Sovi (2021) states that the debt-to-equity ratio (DER) does not significantly affect company value.

Previous studies on the effect of return on equity, earnings per share, debt to asset ratio, and debt to equity ratio on company value have produced varying results, while these ratios are a concern for investors when assessing company value as a consideration for investment. Therefore, this study was conducted to determine whether return on equity, earnings per share, debt to asset ratio, and debt to equity ratio have a partial and simultaneous effect on the value of banking companies. The results of this study can enrich references related to the determinants of company value, especially those engaged in the banking sector.

LITERATURE REVIEW

Signaling Theory

Signaling theory refers to actions taken by company management to provide warnings or indications to external parties regarding the condition of the company in the form of information disclosure such as company prospects, dividend announcements, financial statements, and sustainability reports (Wijaya et al., 2025). According to Brigham and Houston (2019), signaling theory occurs due to information asymmetry between investors and company management. Signaling is an action taken by company management to provide investors with clues about how management views the company's prospects. Signals are provided so that investors have the same information about the company's prospects as company management, thereby eliminating information asymmetry between management and external parties.

Trade-Off Theory

Trade-off theory states that companies trade the tax benefits of debt financing for the costs incurred from using that debt (Brigham and Houston, 2019). According to Brigham and Houston (2019), this benefit arises because interest expenses on debt can be used as a deduction from income, so this theory assumes that the government pays part of the company's debt costs. In other words, debt provides tax shielding benefits. Optimal use of debt can reduce taxes and allow more of the company's operating income to flow to investors, thereby increasing the company's value in the market (Brigham and Houston, 2019). This theory also discusses that the use of excessive debt will increase the risk of bankruptcy. The risk of bankruptcy itself occurs when a company's debt exceeds its ability to pay it off. Therefore, companies must find a balance between the benefits of debt financing and the costs incurred from debt (Brigham and Houston, 2019). This balance point is called the optimal capital structure, where the level of debt can

maximise the value of the company.

The Effect of Return on Equity on Company Value

Return on Equity is a profitability ratio that compares a company's net income after tax with its total equity (Brigham and Houston, 2019). This ratio is commonly used by external parties to measure the return on investment in terms of the income that a company can earn. This ratio can also measure how efficiently a company utilizes its capital to generate profits (Putri and Colline, 2021). According to Rini, Sudarmawati, and Barkowa (2023), a high ROE indicates a company's productive performance, which can increase the company's value and investor confidence in the company. According to Brigham and Houston (2019), ROE is indeed important, but a high ROE depends on efficient asset management, prudent use of debt, and sound financing. Therefore, Return on Equity (ROE) is very important for companies because it can increase investor confidence in the company and can be a good added value for the company's value. Previous studies conducted by Putri and Colline (2021); Novianty and Subagio (2024); Rini, Sudarmawati and Barkow (2023); Wahyuningsih and Susetyo (2020) state that Return on Equity (ROE) has a significant positive effect on company value as measured by Price to Book Value (PBV). Based on these studies, the hypothesis is formulated that return on equity has a positive effect on company value.

The Effect of Earning Per Share on Company Value

Earning Per Share (EPS) is a profitability ratio used to assess a company's ability to generate profits for shareholders per share (Sudarno, Renaldo, Hutaeruk, Junaedi, and Suyono, 2023). Earning Per Share (EPS) is a ratio comparing a company's net income to the number of outstanding shares. The lower the EPS of a company, the smaller the profit that investors will receive per share, and the company's management is considered to have not maximized their resources to generate profits per share (Hutapea et.al., 2021). If a company has a high EPS, investors will generally assess the company's ability to generate high profits.

If a company is able to generate profits that exceed investors' expectations in the capital market, thereby increasing the company's EPS ratio, this will be considered a positive signal for investors regarding the company's future prospects in terms of its ability to generate profits that are better than investors' expectations (Brigham and Houston, 2019). This positive signal will increase investor confidence in the company, thereby increasing the company's value. The results of research by Atika (2022) and Yulianti, Aulia and Handayani (2023) state that Earning Per Share (EPS) has a significant partial effect on company value. Based on this study, the second hypothesis in this study is formulated as follows: there is an effect of earning per share on company value.

The Effect of Debt to Asset Ratio on Company Value

Debt to Asset Ratio (DAR) is a ratio that compares a company's total debt with its total assets (Sudarno et.al, 2023). The Debt to Asset Ratio (DAR) is a measure to estimate a company's total debt compared to its total assets (Khasmir, 2016; Anwar, Septarina and Hairudin, 2022), so it can also be used to determine how much of a company's assets are financed by the company's debt (Febriyanti and Mauliddah, 2022).

If a company announces an increase in debt, which is reflected in an increase in the debt to asset ratio, then the debt increase policy is considered a negative signal by investors because investors believe that the increase in debt will increase the risk of a decline in the company's net profit, so that the negative signal can reduce the company's value (Brigham and Houston, 2019). This is supported by research findings showing the effect of the debt-to-asset ratio (DAR) on company value (Manurung and Lubis, 2022; Fauji and Nurdiansyah, 2025). Based on this explanation, the hypothesis is formulated that the debt-to-asset ratio has a significant negative effect on company value.

The Effect of Debt to Equity Ratio on Company Value

Debt to equity ratio (DER) is a ratio that compares a company's total debt to its total equity (Suartarma, Endiana and Kumalasari, 2023). The debt to equity ratio (DER) is one of the ratios used to measure a company's ability to pay its debts (Purnomo, Sari and Nurhalizah, 2024; Puspitarini and Fitria, 2023). If a company has a high Debt to Equity Ratio (DER), external parties will see that the company is using more debt financing, making it difficult for the company to obtain further financing from external parties due to concerns that the company will not be able to pay its debts using its assets (Purnomo, Sari and

Nuralizah, 2024). Conversely, if the Debt to Equity Ratio (DER) is low, external parties see that the company’s funding from equity is higher than its debt, so that the capital prepared by shareholders is higher, considering that the profits distributed by the company are not sufficient to pay the company’s debt obligations (Putri and Colline, 2021).

Based on signal theory, which assumes that corporate management actions send signals to investors in the capital market regarding the company's future prospects (Brigham and Houston, 2019), an increase in a company's debt-to-equity ratio will be considered a negative signal for investors in the capital market because this increase in the debt to equity ratio is considered an indication that the company is experiencing problems in generating profits. Research conducted by Febrian, Sunarto and Elwardah (2022); Wijaya, Nurlia and Juwari (2025) states that the debt to equity ratio (DER) has a significant negative effect on company value. Based on this study, it is hypothesized that the debt to equity ratio has a significant negative effect on company value.

The Effect of Return on Equity, Earning Per Share, Debt to Asset Ratio, and Debt to Equity Ratio on Company Value

Return on Equity (ROE) and Earning Per Share (EPS) are profitability ratios used to measure a company's profit level (Sudarno et.al, 2023: Brigham and Houston, 2019). Based on signal theory, if a company is able to announce net profits that exceed investor expectations, this will be considered a positive signal for investors, and the increase in profits will increase the value of the company. On the other hand, Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) are categories of corporate debt policy (leverage), which are negative signals for investors and will decrease the value of the company. Investors will certainly not only consider the company's ability to generate profits in the future but will also look at the proportion of debt to assets, which will also illustrate the business risks of the company concerned. The results of research conducted by Mulyasetiyani, Indris, and Prasasti (2025) state that ROE, EPS, and DER simultaneously have a significant effect on company value. Furthermore, the results of research by Fauji and Nurdiansyah (2025) state that DAR and DER simultaneously affect company value. Based on these studies, a hypothesis is formulated that return on equity, earnings per share, debt to asset ratio, and debt to equity ratio simultaneously have a significant effect on company value. Figure 3 represent the research model.

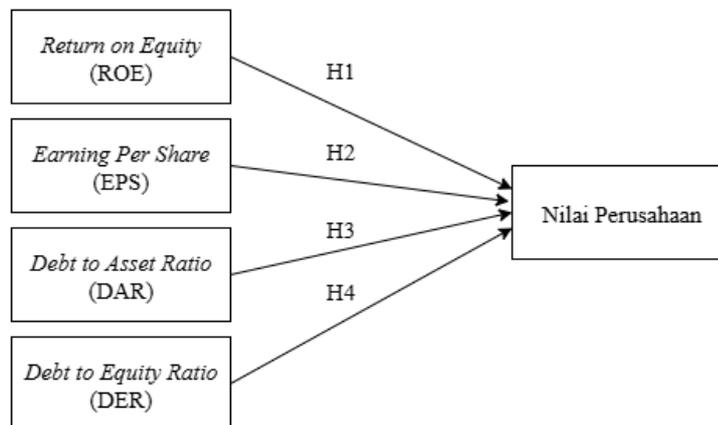


Figure 3. Research Model

RESEARCH METHOD

This study aims to analyze the effect of profitability and solvency on company value. In this study, bank profitability is measured by *Return on Equity (ROE)* and *Earning Per Share (EPS)*, while bank solvency is measured by *Debt to Asset Ratio (DAR)* and *Debt to Equity Ratio (DER)*. The subjects of this study are banking companies listed on the LQ45 index for the period 2019-2024. The sampling method used in this study is *purposive sampling*, where samples are selected based on the criteria of banks that are consistently listed on the LQ45 index during the 2019-2024 period, publish complete and clear financial reports during that period, and consistently generate profits during the 2019- 2024 period. The data was

obtained from the Indonesia Stock Exchange (IDX) and the official websites of each company. Based on these criteria, this study took a sample of 5 banks, namely Bank Central Asia, Bank Negara Indonesia, Bank Rakyat Indonesia, Bank Tabungan Negara, and Bank Mandiri.

Return on Equity (ROE) is measured by comparing the company's net income after tax with total equity. *Earning Per Share* (EPS) is measured by comparing the company's net income with the number of outstanding shares. *Debt to Asset Ratio* (DAR) is measured by comparing the company's total debt with its total assets. *Debt to Equity Ratio* (DER) is measured by comparing the company's total debt to its total equity. Company value is measured by *Price to Book Value* (PBV).

Data analysis uses multiple linear regression with classical assumptions. A partial test (t-test) is conducted to test the hypothesis of the partial effect of *Return on Equity* (ROE), *Earning Per Share* (EPS), *Debt to Asset Ratio* (DAR), and *Debt to Equity Ratio* (DER) on company value, while the F test was used to test the hypothesis of the simultaneous effect of *Return on Equity* (ROE), *Earning Per Share* (EPS), *Debt to Asset Ratio* (DAR), and *Debt to Equity Ratio* (DER) on company value (Sujarweni, 2020).

RESULTS AND DISCUSSION

Classical Assumption Test

Multiple linear regression models can be used if they satisfy classical assumptions consisting of autocorrelation tests, multicollinearity tests, heteroscedasticity tests, normality tests, and linearity tests. Autocorrelation tests are conducted to determine whether there are interfering variables between variables in a certain period (Sujarweni, 2020).

Table 1. Autocorrelation Test Results

Model	R	R Square	Adjusted Square	R	Standard Error of the Estimate	Durbin-Watson
1	.713 ^a	.508	.429		1.0664917	.555
a. Predictors: (Constant), DER, EPS, ROE, DAR						
b. Dependent Variable: PBV						

Table 1 shows the results of the autocorrelation test, where the *Durbin-Watson* value is 0.555. This value is less than -2 and greater than +2, so it can be concluded that the regression equation in this study is free from autocorrelation problems.

A heteroscedasticity test was conducted to determine whether the regression equation obtained in this study showed variance inequality from one observation to another (Ghozali, 2018). Heteroscedasticity detection was carried out by looking at the scatterplot diagram.

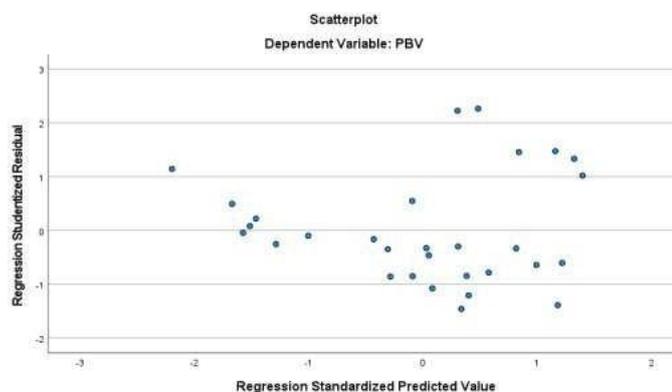


Figure 3: Scatterplot diagram

Figure 3 shows that the points are scattered randomly above and below zero on the Y-axis. The distribution of these points does not form a specific pattern and appears to be evenly distributed. Therefore, it can be concluded that the regression equation in this study is free from heteroscedasticity.

Multicollinearity testing as a classical assumption test in multiple regression analysis is performed to detect high correlations between independent variables (free variables). This test is performed to ensure that there is no perfect or very high linear relationship between the free variables in the regression model so that the model is reliable.

Table 2. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
	ROE	.642	1.558
	EPS	.697	1.435
	DAR	.523	1,914
	DER	.516	1.939

Table 2 shows the results of the multicollinearity test of the regression model in this study. It can be seen that the tolerance values of the ROE, EPS, DAR, and DER variables are above the threshold of 0.05, and the VIF values of the four variables are less than 10, or *tolerance* > 0.05 and *VIF* < 10. Based on these results, it can be concluded that the independent variables used in this study do not experience multicollinearity problems.

The normality test in this study was conducted to determine whether the disturbance variables or residuals in the regression model had a normal distribution (Ghozali, 2018). As is known, the t-test and F-test assume that the residual values in the regression model have a normal distribution. This study used the Kolmogorov-Smirnov normality test.

Tabel 3. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		30
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.99021269
Most Extreme Differences	Absolute	.151
	Positive	.151
	Negative	-.080
Test Statistic		.151
Asymp. Sig. (2-tailed)		.079 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Based on the normality test results as shown in Table 3, the Asymp. Sig. (2-tailed) value is 0.079, which is greater than 0.05 or $0.079 > 0.05$. Therefore, the normality test results prove that the data in this study is normally distributed.

The linearity test in this study was conducted to ensure that the regression equation used in this study was correct. The author conducted a linearity test to determine whether the regression equation should be linear, quadratic, or cubic (Ghozali, 2018). In this study, the linearity test was performed using the Lagrange Multiplier (LM) test. The LM test aims to obtain the calculated c^2 value or $(n \times R^2)$ from the new model. The new model was obtained from the quadratic transformation of each independent variable regressed with the model residual (Ghozali, 2018).

Table 4. R square of the New Model

Model	R	R Square	Adjusted Square	Standard Error of the Estimate	Durbin-Watson
1	.208 ^a	.043	-.110	1.04327563	.678
a. Predictors: (Constant), DER2, EPS2, ROE2, DAR2					
b. Dependent Variable: Unstandardized Residual					

The results of the new model test show a new R square value of 0.043, with a total of 30 data points, yielding a calculated *chi-square* value of 1.29. This study uses α of 5% and degrees of freedom of 25, so it is known that these values are less than the *chi-square* table value of 37,65. Because the calculated c2 value is less than the c2 table value, it can be concluded that the regression model is indeed a linear regression.

Hypothesis testing

Multiple linear regression equations were used to determine the effect of return on equity (X1), earnings per share (X2), debt to asset ratio (X3), and debt to equity ratio (X4) on company value as measured by price to book value (Y). The results of the regression equation calculations are shown in Table 5.

Table 5. Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.919	6.494		-.603	.552
	ROE	12.191	4.939	.432	2.469	.021
	EPS	-.001	.001	-.113	-.674	.506
	DAR	7.782	7.730	.195	1.007	.324
	DER	-.265	.092	-.564	-2.889	.008

Based on Table 5. the regression equation obtained can be formulated as follows:

$$\text{Price Book Value} = -3.919 + 12.191(\text{ROE}) - 0.001(\text{EPS}) + 7.782(\text{DAR}) - 0.265(\text{DER}) + e$$

This equation means that, assuming other variables remain constant or unchanged, any increase in ROE will result in an increase in the value of companies listed on the LQ45 index for the 2019-2024 period. The same applies if there is an increase in DAR, the company value of banking companies listed on the LQ45 index for the 2019-2024 period will increase, assuming other variables remain constant.

The regression coefficient of Earning Per Share (EPS) on company value is negative, meaning that every increase in EPS of banking companies listed on the LQ45 index for the 2019-2024 period will be followed by a decrease in company value, assuming other variables remain constant. Similarly, the regression coefficient of Debt to Equity Ratio (DER) on company value is negative, meaning that an increase in Debt to Equity Ratio (DER) will cause a decrease in company value for banking companies listed on the LQ45 index for the 2019-2024 period, assuming other variables remain constant.

The t-test results show that the sig values of ROE and DER are less than 5%, meaning that the hypothesis stating that there is a partial effect of ROE on company value is accepted, as is the hypothesis stating that there is a partial effect of DER on company value. The sig values of EPS and DAR are greater than 5%, meaning that the hypothesis stating that EPS has a partial effect on company value is rejected, as is the hypothesis stating that DAR has a partial effect on company value.

Table 6. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.373	4	7,343	6,456	.001 ^b
	Residual	28,435	25	1,137		
	Total	57,808	29			

a. Dependent Variable: PBV

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

The F test results show that the model sig value is less than 5%, meaning that DER, EPS, ROE, and DAR collectively influence company value. As shown in Table 1, the *adjusted R Square* value is 0.429. This means that the company value variable measured using *price to book value* can be explained by the variables *return on equity*, *earning per share*, *debt to asset ratio*, and *debt to equity ratio* by 42.9%. Meanwhile, the remaining 57.1% can be explained by other variables not used in this study.

Discussion

The results show that ROE has a significant effect on company value in banking companies listed on the LQ45 index for the period 2019-2024. The regression coefficient obtained is positive, proving that an increase in ROE can increase company value in the eyes of investors in the capital market.

These results are in line with the signaling theory regarding corporate management actions to signal to investors in the capital market about the company's future prospects (Brigham and Houston, 2019). If a company is able to generate profits that exceed investors' expectations when disclosing its annual financial report, this is considered a positive signal by investors in the capital market because the company has the ability to generate better profits in the future than investors had expected. If a company has a *return on equity* ratio that grows every year, investors will consider that the company's performance in generating profits using its capital each year is increasingly effective and productive, which increases the company's value and investor confidence in the capital market (Rini, Sudarmawanti, and Barkowa, 2023). The higher the ROE a company has, the higher investors in the capital market will value the company, which makes investors willing to buy its shares (Putri and Colline, 2021).

The hypothesis test results show that EPS does not have a significant effect on company value in banking companies listed on the LQ45 for the 2019-2024 period. These results explain that changes in a company's EPS cannot affect the value of the company in the eyes of investors in the capital market.

The results of this study are in line with research conducted by Yulianti, Aulia and Handayani (2023); Nuridah, et.al, 2023); Pradita and Muslihat, (2021), who stated that Earning Per Share (EPS) does not have a significant effect on company value. The increase or decrease in EPS cannot affect the value of the company in the eyes of investors. This can happen because investors do not only assess companies based on the EPS ratio, so that the increase or decrease in the company's earnings per share will not change investors' assessment of the company's value (Pradita and Muslihat, 2021). An increase in earnings per share will not always maximize the value of the company in the eyes of investors, because companies with high earnings per share will not necessarily distribute their profits to investors through dividend payments, so investors do not assess the company based on the increase or decrease in the company's earnings per share (Nuridah, et.al, 2023).

The results of this study also show that there is no effect of DAR on the value of banking companies listed on the LQ45 index for the period 2019-2024. These research results are also in line with studies conducted by Anggriani and Amin (2022) and Darmawan and Firdausy (2020), who stated that the Debt to Asset Ratio (DAR) has no effect on company value.

The results of this study indicate that investors in the capital market assess companies not only based on how high or low the ratio of debt to total assets is, given that the banking companies sampled in this study had fairly high debt levels during the study period. Banking companies have various types of debt, including deposits from customers (such as savings and current accounts), loans from the central bank, interbank debt, debt to investors through bond issuance, as well as business debt and other short-term liabilities for operational needs. If the debt level is high, investors in the capital market will see it from another perspective, for example, NPL (non-performing loans) or bad loans/non-performing loans. According to the Financial Services Authority (OJK), the NPL standard for banking companies is below 5% for the "healthy" category. In 2021, several banks, namely BBKA, BBNI, BBRI, BMRI, and BBTN, recorded NPL ratios of less than 5% (BBKA Annual Report, 2021; BBNI Annual Report, 2021; BBRI Annual Report, 2021; BMRI Annual Report, 2021; BBTN Annual Report, 2021). With NPLs below the limit set by the OJK, investors consider each of these banking companies to be safe investment choices.

The results of the study prove that DER has a significant negative effect on the value of companies listed on the LQ45 index for the 2019-2024 period and the fourth hypothesis is accepted. The negative regression coefficient proves that an increase in DER can reduce company value in the eyes of investors in the capital market. An increase in the ratio of debt to equity owned by a company will be considered a negative signal for investors in the capital market. Investors consider the addition of debt or a decrease in equity that causes an increase in the DER ratio to be an indication that the banking company is experiencing problems in generating profits.

The results of this study are also in line with research conducted by Wijaya, Nurlia, and Juwari (2025),

which states that *the Debt-to-Equity Ratio* (DER) has a negative effect on company value. An increase in a company's DER will reduce profit and increase the risk of financial difficulties (default), thereby reducing the company's value (Wijaya et al., 2025). Furthermore, according to the results of research conducted by Widianingrum and Dillak (2023), if a company has a high debt-to-equity ratio, the level of risk the company faces when repaying the debt is also high, which results in a decrease in the company's profits and thus a decline in the company's value.

CONCLUSION AND IMPLICATION

Conclusion

Partially, return on equity and debt to equity ratio affect the value of banking companies, while simultaneously, earnings per share and debt to asset ratio do not affect the value of banking companies. Simultaneously, return on equity, earnings per share, debt to asset ratio, and debt to equity ratio significantly affect the value of banking companies listed on the Indonesia Stock Exchange.

Implications

An increase in *the debt-to-equity ratio* will decrease the value of the company, mainly because the market sees that an increase in the debt-to-equity ratio will cause a risk of a decline in the bank's net income. Bank management is expected to be able to formulate a good debt management policy strategy to generate profits so that the value of the company continues to increase, thereby encouraging investors in the capital market to invest in the company.

Investors should not rely solely on *return on equity, earnings per share, debt to asset ratio, and debt to equity ratio* ratios when considering investment decisions, given that results can still be explained by ratios not examined in this study, such as geopolitics, market sentiment, and macroeconomic policies from the government as the holder of fiscal policy and Bank Indonesia as the holder of monetary policy in this country.

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