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The Influence of Banking Financial Performance on Company Value of Banks Listed on the Indonesia Stock Exchange in 2020-2024

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ABSTRAK

This study examines the empirical impact of select financial dimensions—specifically non-performing loans (NPL), loan-to-deposit ratio (LDR), managerial ownership, return on assets (ROA), and capital adequacy ratio (CAR)—on the market valuation of banking institutions in Indonesia. Adopting a quantitative approach, the investigation samples commercial banks listed on the Indonesia Stock Exchange (IDX) spanning the 2020–2024 observation window. Utilizing a purposive sampling framework, 85 valid firm-years were extracted from official repositories, including the IDX portal and respective corporate disclosures. The underlying structural relationships were modeled via panel data regression analysis utilizing EViews 12. The empirical regularities reveal that while NPL, LDR, and CAR exhibit positive directional signs, their influence on firm value is statistically negligible. Conversely, managerial ownership exerts a pronounced and statistically significant negative pressure on corporate value, implying potential agency conflicts where heightened managerial equity fails to optimize minority shareholder wealth. Furthermore, ROA demonstrates an inverse, albeit insignificant, nexus with market value. These insights offer critical nuances for market participants and oversight authorities, underscoring the asymmetrical weights that conventional financial metrics carry in dictate banking valuations within an emerging market context.

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1. INTRODUCTION

Pursuant to Indonesian Banking Law No. 10/1998, banking institutions function as financial intermediaries tasked with mobilizing public deposits and deploying credit or alternative financial vehicles to catalyze societal welfare. Consequently, the core architecture of banking enterprises centers on fund mobilization, credit extension, and ancillary transactional services—such as payments, transfers, and advisory roles—where primary financial operations are continuously reinforced by these supporting services. The initial empirical phenomenon underlying this inquiry is the widespread degradation of institutional performance across the sector. Since the onset of the COVID-19 pandemic in Indonesia, eroded corporate performance has consistently suppressed firm valuation, ultimately fracturing investor confidence. This performance downturn is structurally manifested through contracting net profits, diminished stock returns, escalating non-performing assets, and heightened provisioning costs. Although market fundamentals remain superficially resilient due to an attractive, low profitability index (PI) ratio, the banking industry has experienced significant downward pressure on equity pricing.

To capture these dynamics accurately, historical stock price data for commercial banks listed on the Indonesia Stock Exchange (IDX) spanning 2020–2024 were synthesized. Broadly, corporate value mirrors accumulated public and investor trust, established through long-term operational excellence. Within empirical literature, Tobin's Q serves as a preferred metric for structural valuation over standard Price-to-Book Value (PBV) ratios; for highly leveraged banking firms, Tobin's Q provides a superior holistic assessment by explicitly integrating the entire capital structure, including extensive long-term debt obligations. Fundamentally, financial performance encapsulates an institution's operational efficacy over a predetermined window, signifying resource allocation competency and overall corporate health. Following established regulatory and empirical paradigms, assessing a bank's structural soundness requires a multidimensional evaluation of its risk profile, good corporate governance (GCG) compliance, earnings capacity, and capital reserves (Astuti and Djajanti, 2021). Accordingly, stakeholders, investors, and financial analysts routinely rely on specific financial performance dimensions, such as non-performing loans (NPL), loan-to-deposit ratio (LDR), managerial ownership, return on assets (ROA), and capital adequacy ratio (CAR) [5].

This study aims to analyze the direct impact of financial performance on the firm value of banking enterprises listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. Empirical literature on this nexus remains highly fragmented and inconsistent, thus warranting further investigation. For instance, prior research demonstrated that non-performing loans (NPL) and loan-to-deposit ratios (LDR) exerted a significant negative effect on firm value, whereas the capital adequacy ratio (CAR) exhibited a significant positive influence [5]. Conversely, a study by Kansil reported contradictory outcomes, illustrating that discrepancies in financial disclosures can yield divergent market valuations even when modeling identical variables; a phenomenon that underscores the necessity for deeper empirical scrutiny [7].

To explain these market dynamics, this study leverages signaling theory, which posits that information asymmetry can be mitigated when an information owner (the sender) transmits meaningful disclosures regarding corporate health to external stakeholders or investors (the recipients). Within this framework, organizations actively strive to project positive signals through their annual financial reports, which communicate strategic developments that influence equity pricing and overall market caps [13]. Furthermore, this inquiry is grounded in stakeholder theory, famously conceptualized by Freeman in *Strategic Management*, which delineates the scope of corporate accountability [12]. This paradigm emphasizes that stakeholders possess an inherent right to transparent, contemporaneous data to guide decision-making, while concurrently wielding the power to steer management toward optimizing organizational resources to maximize corporate value [12]. Lastly, agency theory addresses the inherent contractual dynamics between principals (owners/investors) and agents (management). This theory became prominent with the separation of ownership and control in modern corporations, where investors delegate operational authority to executives with the ultimate expectation of capital optimization and maximized investment returns.

Enterprise value serves as a direct reflection of managerial efficacy, typically quantified through achieved financial performance benchmarks [11]. In striving to maximize corporate worth, an increase in firm value is visibly manifested through upward equity price trajectories in the capital market. Essentially, firm value represents the equilibrium price investors are willing to pay to acquire the entity. Synthesizing these perspectives, firm value can be conceptualized as an operational state achieved by bank managers through the optimal deployment of institutional resources, serving as a critical public benchmark for stock valuation. Within empirical literature, Tobin's Q stands as the most widely accepted metric to capture this multidimensional value [13]. Concurrently, financial performance encapsulates an organization's operational milestones over a designated timeframe, reflecting its structural soundness and capability to allocate capital efficiently [4]. It acts as an analytical tool to evaluate compliance with financial governance and regulations [4], fundamentally driving corporate valuation.

Under the Financial Services Authority Regulation (*Peraturan Otoritas Jasa Keuangan*) No. 4/POJK.03/2016, commercial banks are mandated to conduct comprehensive soundness assessments. This regulatory framework dictates that financial health mirrors an institution's capacity to mobilize and deploy funds, universally measured via profitability, liquidity, and capital adequacy metrics [5]. Discriminating investors heavily favor a robust and efficient banking system that aligns with modern regulatory procedures—specifically the Risk-Based Bank Rating (RBBR) or RGEC (*Risk Profile, Good Corporate Governance, Earnings, and Capital*) methodology.

Within this evaluative matrix, the Non-Performing Loan (NPL) ratio serves as a vital proxy for credit risk, indicating structural anomalies arising from imprudent lending terms. Escalating NPL levels signify repayment distress, which undermines bank performance, erodes profitability, and consequently depresses market valuation. This mechanism is closely aligned with signaling theory, which illustrates how indicators of managerial success or failure are transmitted from agents to principals. From a signaling perspective, the publication of elevated NPL figures denotes ineffective credit risk management, broadcasting a negative signal to the market that weakens stakeholder confidence and suppresses firm value. This negative impact is empirically corroborated by Handayani et al. (2023), who demonstrated that asset quality deterioration significantly diminishes enterprise worth.

H1: Non-performing loans (NPLs) negatively impact firm value.

The Loan to Deposit Ratio (LDR) serves as a vital liquidity and financial intermediation metric, evaluating a bank's capacity to meet its obligations by deploying core credit channels. Within the framework of signaling theory, the LDR highlights the efficiency of a banking institution's intermediary role; a robust ratio indicates that the bank successfully transforms customer deposits into interest-bearing loans to optimize interest income. Assuming stringent credit risk controls that suppress non-performing loans, efficient asset allocation signals healthy operational liquidity to the market. This operational efficacy builds investor confidence, which subsequently enhances firm valuation.

H2: The Loan to Deposit Ratio (LDR) has a positive effect on company value [2].

From an agency theory perspective, managerial ownership functions as a corporate governance mechanism designed to mitigate principal-agent friction by aligning the financial incentives of executives with those of external shareholders. When corporate insiders hold an equity stake, they are structurally incentivized to prioritize long-term wealth creation over short-term, opportunistic objectives. In banking firms, heightened managerial shareholding reduces conflicting interests in strategic decision-making, signaling a unified commitment to maximizing enterprise worth. This alignment also intersects with stakeholder theory, where Good Corporate Governance (GCG) acts as a structural moderator ensuring that internal equity distributions satisfy the performance expectations of the broader corporate ecosystem, including depositors and regulatory bodies [7].

H3: Managerial ownership has a positive influence on firm value.

Return on Assets (ROA) is a fundamental profitability indicator that reflects management's efficiency in generating net income relative to the bank's total asset base. Grounded in signaling theory, an expanding ROA transmits a credible, positive signal to the capital market regarding the firm's competitive advantages and future earnings sustainability. Superior asset utilization reassures investors of institutional performance, reducing perceived risk and driving upward pressure on the bank's Tobin's Q ratio. Empirical precedents corroborate this positive nexus, demonstrating that strong profit margins consistently enhance market valuation [5].

H_4: Return on Assets (ROA) has a positive effect on firm value.

Lastly, the Capital Adequacy Ratio (CAR) quantifies a bank's capital resilience against potential credit, market, and operational impairments. By evaluating the ratio of core equity capital to risk-weighted assets, CAR serves as an indicator of asset protection and solvency. In accordance with signaling theory, a superior CAR broadcasts a strong signal of structural stability to external stakeholders, regulators, and depositors, confirming that the bank possesses sufficient capital buffers to absorb unexpected macroeconomic shocks without endangering third-party funds. Consequently, high capital adequacy bolsters market confidence, translating into superior firm valuation on the stock exchange

2. METHOD

2.1. Research Type

This inquiry adopts a quantitative causal research design, utilizing structured numerical data and econometric analysis to empirically evaluate hypotheses regarding the relationships among the specified variables. As conceptualized by Rahma (2022), explanatory research is specifically engineered to examine causal mechanisms, identifying the directional and statistical impact of a set of independent variables X on a target dependent variable Y. Within this analytical framework, the study measures both the individual (partial) and collective (simultaneous) effects of five core exogenous determinants on the firm value Y of banking institutions listed on the Indonesia Stock Exchange: Non-Performing Loans X_1, Loan-to-Deposit Ratio X_2, Managerial Ownership X_3, Return on Assets X_4, and Capital Adequacy Ratio X_5.

2.2. Population and Sample

According to Sugiyono (2023), a population comprises the entire universe of objects or subjects possessing distinct characteristics predetermined by the researcher for empirical investigation and subsequent generalization. In this study, the target population encompasses the financial statements of all 45 banking corporations actively listed on the Indonesia Stock Exchange (IDX) throughout the 2020–2024 observation period. To derive a representative subset from this population, a sample was drawn. As delineated by Yulinda (2022) and Sugiyono (2023), a sample must serve as a smaller, representative microcosm that accurately mirrors the structural attributes and scale of the parent population.

This inquiry deployed a purposive sampling technique, a non-probability sampling strategy where elements are deliberately selected based on theoretical relevance and specific objective criteria aligned with the research context (Sugiyono, 2023). Consequently, a final sample of 17 commercial banks was established based on the following purposive constraints:

1. Banking enterprises continuously listed on the Indonesia Stock Exchange during the 2020–2024 multi-year window;
2. Banking institutions classified under the Book III and Book IV categories (or equivalent high-tier Commercial Bank clusters) as of 2024;
3. Banking firms that published audited annual financial disclosures consecutively from 2020 to 2024.

2.3. Data Sources

This inquiry relies strictly on secondary data, defined as structural information harvested indirectly from previously compiled and institutionalized records. Specifically, the longitudinal datasets were extracted from the official repository of the Indonesia Stock Exchange (IDX) via its public portal (www.idx.co.id), thereby ensuring institutional data integrity, empirical reliability, and universal verifiability.

2.4. Data Collection Techniques

Following the methodological framework of Sugiyono (2019), data collection techniques represent the systematic approaches utilized to aggregate empirical evidence for scientific inquiry. In this study, the primary data gathering strategy was operationalized through the documentation method. Document review serves as an objective and un-biased source of empirical evidence, thereby enhancing the validity, transparency, and internal consistency of the empirical analysis. The documented materials harvested specifically encompass corporate financial disclosures detailing five core exogenous metrics: Non-Performing Loans (NPL), Loan-to-Deposit Ratio (LDR), Managerial Ownership, Return on Assets (ROA), and Capital Adequacy Ratio (CAR).

2.5. Research Variables

The empirical framework of this study models a total of six operational variables, comprising five independent (exogenous) predictors and one dependent (endogenous) outcome criterion. The independent dimensions evaluated include Non-Performing Loans (NPL), Loan-to-Deposit Ratio (LDR), Managerial Ownership, Return on Assets (ROA), and Capital Adequacy Ratio (CAR). Conversely, the central dependent variable is operationalized as firm value, systematically quantified utilizing the Tobin's Q ratio. Within corporate finance literature, Tobin's Q serves as a rigorous, widely accepted metric that captures market valuation dynamics by assessing an enterprise's total market value relative to its structural asset replacement costs.

2.6. Research Methods

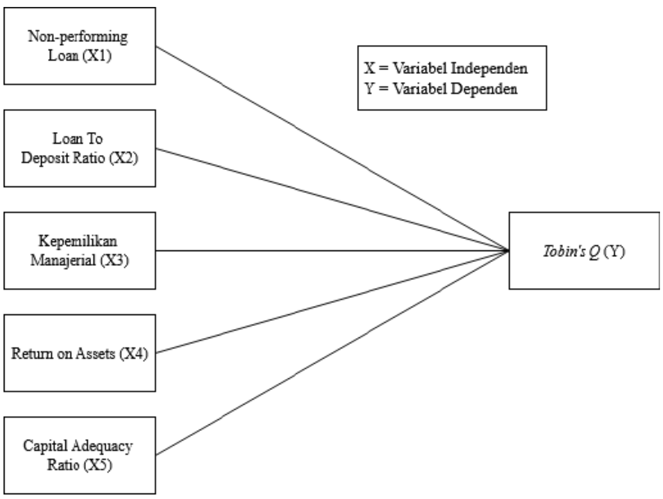

Figure 1. Research Methods

The equation model to be studied is as follows:

$Y_{it} = \beta_0 + \beta_1 X_{1.it} + \beta_2 X_{2.it} + \beta_3 X_{3.it} + \beta_4 X_{4.it} + \beta_5 X_{5.it} + \alpha_{it} + u_{it}$

2.7. Data Analysis Method

Data analysis involves systematically auditing and organizing documented records to derive clear empirical insights and ensure research replicability. This inquiry employs an quantitative econometric framework utilizing Microsoft Excel for initial data compilation and data management, while EViews 12 is deployed as the primary statistical software for model estimation. The dataset comprises corporate annual financial disclosures from commercial banks listed on the Indonesia Stock Exchange (IDX) spanning the 2020–2024 fiscal years.

Initially, descriptive statistics are computed to provide a comprehensive overview of the fundamental distributional properties of the sample data. In relation to market valuation, this descriptive stage contextualizes the structural indicators of the Risk-Based Bank Rating (RBBR) framework, including risk profile (proxied by non-performing loans and loan-to-deposit ratio), corporate governance (proxied by managerial ownership), profitability (proxied by return on assets), and capital structure (proxied by capital adequacy ratio).

The subsequent core econometric analysis consists of three interconnected steps: classical assumption testing to ensure best linear unbiased estimators (BLUE), panel data regression modeling to identify structural patterns, and rigorous hypothesis testing. The evaluation of the explanatory framework relies on three criteria: the F-test for simultaneous statistical significance, the t-test for partial regression coefficient significance, and the Coefficient of Determination (R^2) to quantify the proportion of total variance in the dependent variable explained by the joint movement of the independent predictors.

3. RESULT AND DISCUSSION

3.1. Research Data

This investigation specifically focuses on banking institutions, a sector that sustained severe systemic shocks during the COVID-19 pandemic. These macroeconomic disruptions heavily compromised the demand-side architecture of the industry, culminating in diminished corporate revenues, compressed liquidity buffers, and a prolonged contraction in overall market valuation. The study utilizes secondary data extracted from the audited annual financial statements of these institutions, sourced directly from the official repository of the Indonesia Stock Exchange (IDX). By applying a rigorous purposive sampling approach based on predetermined structural criteria, a final panel consisting of 17 commercial banks was established. This selection framework yielded a balanced dataset of 85 distinct firm-year observations spanning the five-year longitudinal window

3.2. Descriptive Statistical Analysis

Descriptive statistical analysis serves as a fundamental method to synthesize and characterize the structural properties of an empirical dataset, intentionally abstracting from broader inductive generalizations or causal inferences. This diagnostic stage provides essential summary insights into the underlying data configuration, comprehensively reporting the sample size (total observations), measures of central tendency (mean values), data boundaries (minimum and maximum values), and measures of dispersion (standard deviations) for each modeled variable. Consequently, this analysis establishes a transparent and intuitive foundation regarding the data's distributional characteristics and structural properties prior to hypothesis testing.

Table 1. Descriptive Statistics Table

	NPL	LDR	KM	ROA	CAR	TOBINSQ
Mean	0.931412	80.98318	0.701529	1.862706	22.98847	1.108235
Median	0.750000	82.73000	0.610000	1.750000	23.49000	0.980000
Maximum	3.360000	148.8600	4.020000	4.860000	35.68000	5.140000
Minimum	0.000000	0.820000	0.000000	0.020000	0.170000	0.180000
Std. Dev.	0.687937	22.41063	0.692015	1.167352	6.765922	0.531624
Skewness	1.564469	-0.809612	1.962254	0.512698	-1.121090	5.256475
Kurtosis	5.263293	8.344018	8.965204	2.677469	5.991627	40.34946
Jarque-Bera	52.81598	110.4306	180.5734	4.092269	49.50259	5331.994
Probability	0.000000	0.000000	0.000000	0.129233	0.000000	0.000000
Sum	79.17000	6883.570	59.63000	158.3300	1954.020	94.20000
Sum Sq. Dev.	39.75363	42187.86	40.22630	114.4677	3845.327	23.74044
Observations	85	85	85	85	85	85

3.3. Normality Test

The normality test aims to determine whether the variables in a panel regression model are normally distributed or not. A good regression model has a normal or near-normal data distribution.

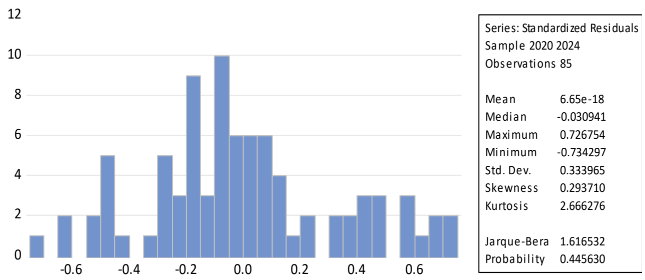

Figure 2. Test Normality
Source: Output Eviews 12, data processed by researchers, 2026

Based on the econometric outputs presented in Table 2, the computed Jarque-Bera statistic stands at 1.616532 with a corresponding probability value of 0.445630. Because this p-value substantially exceeds the conventional alpha threshold of 0.05, the model fails to reject the null hypothesis (H_0), which posits that the error terms are normally distributed. Consequently, it can be statistically inferred that the residual distribution satisfies the assumption of normality at the 5% significance level, ensuring the validity of subsequent parametric inferences.

3.4. Panel Data Regression Analysis

The empirical analysis in this study is executed using EViews, adopting a panel data econometric approach that integrates both time-series and cross-sectional dimensions. Panel data—frequently conceptualized as longitudinal or pooled data—comprises observations gathered across multiple temporal periods for a consistent set of cross-sectional units. In isolation, time-series data tracks the structural trajectories of a dependent variable relative to its independent predictors over a continuous chronological sequence for a single entity (e.g., an individual banking institution over several years). Conversely, cross-sectional data isolates multiple observation units simultaneously at a singular, fixed point in time. By synthesizing these two structures, the panel data framework provides a more robust and highly efficient estimation model, effectively capturing both intra-unit temporal dynamics and inter-unit spatial variations while mitigating unobserved heterogeneity.

3.5. Approaches to determining estimation models

3.5.1 *Comment Effect Model*

The Common Effect Model (CEM)—often designated as the Pooled Least Squares (PLS) approach represents the most restrictive specification in panel data econometrics. This framework pools the cross-sectional and time-series dimensions into a unified matrix while intentionally omitting firm-specific or period-specific individual effects. Consequently, the underlying operational assumption posits that all corporate entities exhibit homogeneous behavioral structures that remain invariant across both cross-sectional units and chronological time horizons. Given this simplifying assumption of structural homogeneity, parameters can be directly estimated utilizing the conventional Ordinary Least Squares (OLS) method, which treats the entire pooled dataset as a single, uniform sample.

Table 3. Estimation Results *Common Effect Model*

Dependent Variable: TOBINSQ
Method: Panel Least Squares
Date: 03/11/26 Time: 10:44
Sample: 2020 2024
Periods included: 5
Cross-sections included: 17
Total panel (balanced) observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.478492	0.270928	1.766125	0.0812
NPL	0.125696	0.089379	1.406333	0.1635
LDR	0.002266	0.002928	0.774106	0.4412
KM	0.242811	0.084605	2.869948	0.0053
ROA	0.067610	0.056400	1.198747	0.2342
CAR	0.001429	0.010371	0.137828	0.8907

R-squared	0.140460	Mean dependent var	1.108235
Adjusted R-squared	0.086059	S.D. dependent var	0.531624
S.E. of regression	0.508234	Akaike info criterion	1.552224
Sum squared resid	20.40585	Schwarz criterion	1.724646
Log likelihood	-59.96952	Hannan-Quinn criter.	1.621577
F-statistic	2.581928	Durbin-Watson stat	1.844294
Prob(F-statistic)	0.032405		

Source: Output Eviews 12, data processed by researchers, 2026

Based on the empirical outputs of the Common Effect Model (CEM) presented in Table 3, the regression coefficients for Non-Performing Loans (NPL), Loan-to-Deposit Ratio (LDR), Return on Assets (ROA), and Capital Adequacy Ratio (CAR) fail to achieve statistical significance relative to Tobin's Q. This indicates that variations in these traditional risk, liquidity, profitability, and solvency metrics do not meaningfully drive shifts in corporate valuation within the sampled entities. Conversely, the managerial ownership variable exhibits a statistically significant influence on Tobin's Q, demonstrating that changes in internal equity distribution operate as a critical determinant of market value fluctuations.

3.5.2 *Fixed Effect Model*

The Common Effect Model (CEM)—often designated as the Pooled Least Squares (PLS) approach—represents the most restrictive specification in panel data econometrics. This framework pools the cross-sectional and time-series dimensions into a unified matrix while intentionally omitting firm-specific or period-specific individual effects. Consequently, the underlying operational assumption posits that all corporate entities exhibit homogeneous behavioral structures that remain invariant across both cross-sectional units and chronological time horizons. Given this simplifying assumption of structural homogeneity, parameters can be directly estimated utilizing the conventional Ordinary Least Squares (OLS) method, which treats the entire pooled dataset as a single, uniform sample.

Tabel 4. Estimation Results Fixed Effect Model

Dependent Variable: TOBINSQ
Method: Panel Least Squares
Date: 03/11/26 Time: 10:46
Sample: 2020 2024
Periods included: 5
Cross-sections included: 17
Total panel (balanced) observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.190174	0.396935	0.479104	0.6335
NPL	0.007510	0.175660	0.042755	0.9660
LDR	0.002211	0.006112	0.361677	0.7188
KM	0.964552	0.129312	7.459124	0.0000
ROA	-0.142079	0.111176	-1.277966	0.2060
CAR	0.013921	0.026475	0.525826	0.6009

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.576369	Mean dependent var	1.108235
Adjusted R-squared	0.435159	S.D. dependent var	0.531624
S.E. of regression	0.399547	Akaike info criterion	1.221160
Sum squared resid	10.05719	Schwarz criterion	1.853376
Log likelihood	-29.89931	Hannan-Quinn criter.	1.475455
F-statistic	4.081633	Durbin-Watson stat	1.840206
Prob(F-statistic)	0.000008		

Source: Output Eviews 12, data processed by researchers, 2026

In reference to the Fixed Effect Model (FEM) estimation results detailed in Table 4, the independent variables—specifically Non-Performing Loans (NPL), Loan-to-Deposit Ratio (LDR), Return on Assets (ROA), and Capital Adequacy Ratio (CAR)—do not exert a statistically significant influence on Tobin's Q. This evidence suggests that once unobserved time-invariant firm-specific heterogeneity is controlled for, variations in these core banking risk, liquidity, profitability, and solvency metrics do not meaningfully drive shifts in market valuation. Conversely, managerial ownership exhibits a statistically significant impact on Tobin's Q, reinforcing the premise that internal corporate governance structures play a critical role in mitigating agency frictions and shaping overall enterprise value.

3.5.3 *Random Effect Model*

The Random Effects Model (REM) represents a sophisticated panel data estimation framework tailored for structures where error components are distributed across both temporal and cross-sectional dimensions. In contrast to the Fixed Effects Model, the REM operates under the critical assumption that unobserved, unit-specific heterogeneities are strictly random and completely orthogonal to—or uncorrelated with—the independent regressors. Consequently, these individual-specific variations are integrated directly into a composite error term. To systematically address potential serial correlation and heteroskedasticity within the residuals, the framework utilizes the Generalized Least Squares (GLS) estimation technique, which yields higher asymptotic efficiency and more reliable standard errors under these distributional assumptions. The empirical outputs generated via the Random Effects Model specification are detailed in the table below:

Tabel 5. Estimation Results *Random Effect Model*

Dependent Variable: TOBINSQ
Method: Panel EGLS (Cross-section random effects)
Date: 03/11/26 Time: 10:47
Sample: 2020 2024
Periods included: 5
Cross-sections included: 17
Total panel (balanced) observations: 85
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.463880	0.251782	1.842388	0.0692
NPL	0.102473	0.086462	1.185184	0.2395
LDR	0.002642	0.002802	0.943153	0.3485
KM	0.351205	0.079524	4.416362	0.0000
ROA	0.052880	0.054559	0.969232	0.3354
CAR	-0.000433	0.010231	-0.042359	0.9663

Effects Specification		
	S.D.	Rho
Cross-section random	0.150437	0.1242
Idiosyncratic random	0.399547	0.8758

Weighted Statistics			
R-squared	0.173810	Mean dependent var	0.847778
Adjusted R-squared	0.121520	S.D. dependent var	0.510549
S.E. of regression	0.478523	Sum squared resid	18.08979
F-statistic	3.323931	Durbin-Watson stat	1.813916
Prob(F-statistic)	0.008918		

Unweighted Statistics			
R-squared	0.120286	Mean dependent var	1.108235
Sum squared resid	20.88480	Durbin-Watson stat	1.571159

Source: Output Eviews 12, data processed by researchers, 2026

In reference to the Random Effects Model (REM) estimation results detailed in Table 5, the independent financial parameters—specifically Non-Performing Loans (NPL), Loan-to-Deposit Ratio (LDR), Return on Assets (ROA), and Capital Adequacy Ratio (CAR)—do not exert a statistically significant influence on Tobin's Q. This empirical evidence indicates that when entity-specific differences are modeled as random components within the composite error term, variations in these risk, liquidity, profitability, and solvency metrics fail to systematically drive market valuation. Conversely, managerial ownership exhibits a statistically significant impact on Tobin's Q, reinforcing the theoretical premise that alignment between insider equity ownership and external market valuation remains robust across the sampled banking institutions.

3.6. Panel Data Regression Model Selection

Following the estimation of the panel dataset across three alternative specifications the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) a rigorous model specification selection process is executed. This diagnostic phase is imperative to isolate the optimal estimation technique that ensures statistical efficiency and unbiased parameters. The selection protocol is guided by a systematic sequence of econometric diagnostics:

1. The Chow Test (F-Test): Utilized to evaluate the structural restrictions of the CEM against the unrestricted FEM by testing the significance of cross-sectional intercepts.
2. The Hausman Test: Deployed to adjudicate between the FEM and REM by evaluating whether the individual-specific error components are correlated with the exogenous regressors.
3. The Lagrange Multiplier (LM) / Likelihood Ratio (LR) Test: Employed to contrast nested structures, specifically comparing the REM against the pooled OLS baseline.
4. Information Criteria (AIC/BIC): Applied to evaluate relative goodness-of-fit while penalizing over-parameterized model complexity.

Ultimately, this multi-layered framework ensures that the selected specification balances maximum explanatory power, robust statistical validity, and theoretical alignment with the underlying corporate finance inquiry.

3.6.1 Chow Test

The Chow Testconventionally operationalized in panel data econometrics as the Redundant Fixed Effects Likelihood Ratio test—is employed to adjudicate whether the Fixed Effect Model (FEM) or the Common Effect Model (CEM) provides the more statistically appropriate specification for this empirical inquiry. This diagnostic instrument fundamentally evaluates the structural stability of the regression parameters by testing the null hypothesis H_0 that all cross-sectional individual intercepts are homogeneous $u_i = 0$. Failing to reject the null hypothesis implies that pooling the dataset via the CEM is sufficient, whereas rejecting H_0 demonstrates that allowing for entity-specific intercepts through the FEM significantly enhances the model's goodness-of-fit. The empirical outputs of the Chow Test are formalized in the table below:

Table 6. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.051617	(16,63)	0.0000
Cross-section Chi-square	60.140410	16	0.0000

Source: Output Eviews 12, data processed by researchers, 2026

Based on the Chow test outputs detailed in Table 6, the empirical probability values for both the Cross-section F and Cross-section Chi-square statistics are calculated at 0.0000. Because these p-values are substantially lower than the conventional significance threshold alpha = 0.05, the null hypothesis H_0 which posits that cross-sectional intercepts are redundant and homogeneous—is strictly rejected. Consequently, the statistical evidence demonstrates that allowing for entity-specific variations provides a superior model fit, establishing the Fixed Effect Model (FEM) as the preferred specification over the Common Effect Model (CEM). To further refine the econometric architecture and determine whether the FEM or the Random Effect Model (REM) serves as the most efficient and consistent estimator, the analysis systematically proceeds to the Hausman specification test.

3.6.2 Hausman Test

he Hausman Specification Test is employed to adjudicate the empirical suitability between the Fixed Effect Model (FEM) and the Random Effect Model (REM) within this panel data architecture. This diagnostic instrument fundamentally evaluates the orthogonality condition of the unobserved unit-specific error components relative to the exogenous regressors. Under the null hypothesis (H_0), individual effects are random and uncorrelated with the explanatory variables, rendering the REM the more asymptotically efficient estimator. Conversely, if the alternative hypothesis (H_1) is sustained, indicating that the individual-specific disturbances are systematically correlated with the regressors, the REM parameters suffer from inconsistency due to omitted variable bias. In such a scenario, the FEM is chosen as the appropriate framework to ensure consistent and unbiased parameter estimation..

Tabel 7. Uji Hausman

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	39.317632	5	0.0000

Source: Output Eviews 12, data processed by researchers, 2026

Referencing the Hausman specification test outputs summarized in Table 7, the calculated random cross-section probability value is 0.0000. Because this p-value falls strictly below the conventional alpha threshold alpha = 0.05, the null hypothesis (H_0). which asserts that the random error components are orthogonal to the explanatory variables—is definitively rejected. This statistical outcome indicates the presence of endogeneity, confirming that the Random Effect Model (REM) yields inconsistent parameters. Consequently, the Fixed Effect Model (FEM) is established as the mathematically superior and consistent estimator for this empirical analysis. To ensure the robustness of this selected specification and guarantee that subsequent parametric inferences are unbiased, the diagnostic process systematically advances to the classical assumption tests.

3.7. Classical Assumption Test

The econometric estimation framework within this study is specified to investigate the empirical relationships between the dependent criterion and the independent predictors, thereby establishing an optimal structural model through panel data analysis techniques. Prior to final model interpretation, a comprehensive battery of classical assumption diagnostics is executed. This verification phase is imperative to detect whether the estimated regression model violates any fundamental Gauss-Markov assumptions, a condition that could bias parameter estimates and invalidate parametric inferences. The specific classical assumption tests operationalized within this analytical framework encompass:

3.7.1 Multicollinearity Test

According to Ghozali (2018), the multicollinearity diagnostic is implemented to detect whether systematic correlations exist among the exogenous variables within a regression framework. An ideal and robust econometric model should be free from severe multicollinearity, meaning the independent variables must operate orthogonally to one another. Within this empirical inquiry, the multicollinearity evaluation was executed using the Pearson product-moment correlation matrix method. The presence of problematic multicollinearity is formally indicated when the calculated correlation coefficient between any pair of independent variables exceeds the critical threshold of 0.90, which would otherwise threaten the stability and variance of the estimated parameters

.

Table 8. Multicollinearity Test

	NPL	LDR	KM	ROA	CAR
NPL	1.000000	0.072652	0.130956	-0.400405	-0.159603
LDR	0.072652	1.000000	-0.178277	0.028711	0.440738
KM	0.130956	-0.178277	1.000000	-0.078215	0.070001
ROA	-0.400405	0.028711	-0.078215	1.000000	0.392795
CAR	-0.159603	0.440738	0.070001	0.392795	1.000000

Source: Output Eviews 12, data processed by researchers, 2026

The results of the multicollinearity test are presented in Test 8, which shows that the correlation coefficient values among the variables (X1, X2, X3, X4, and X5) are all below 0.9. Based on the established testing criteria, if the correlation coefficient between variables is less than 0.9, it can be concluded that the data is free from multicollinearity problems.

3.7.2 Autocorrelation Test

In accordance with Ghozali (2017), the autocorrelation test is implemented to detect whether a systematic correlation exists between the error disturbance in period t and its corresponding lagged component in the preceding period t-1. To rigorously evaluate this assumption within the panel framework, this study employs the Breusch-Godfrey Serial Correlation Lagrange Multiplier (LM) test. This diagnostic instrument is robust against higher-order autoregressive and moving average structures, ensuring a comprehensive assessment of residual independence. The empirical outputs derived from the Breusch-Godfrey specification are presented in the table below:

Table 9. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	1.662839	Prob. F(2,12)	0.2304
Obs*R-squared	4.340008	Prob. Chi-Square(2)	0.1142

Source: Output Eviews 12, data processed by researchers, 2026

Based on the Breusch–Godfrey serial correlation test outputs detailed in Table 9, the empirical probability value of the Obs x R^2 statistic is calculated at 0.1142. Because this p-value exceeds the conventional significance threshold (a= 0.05), the model fails to reject the null hypothesis (H_0) of residual independence. Consequently, it can be statistically verified that the estimated panel regression model is free from any severe serial correlation problems, satisfying the classical assumption of non-autocorrelation within the error structures..

3.7.3 Hesteroskedasticity Test

The heteroskedasticity diagnostic is executed to ascertain whether there is an unequal variance—or non-constant dispersion—of the residuals across individual observations within the regression framework. To systematically verify this assumption, this study employs the Glejser test method, which regresses the absolute values of the estimated residuals against the exogenous predictors. A robust and well-specified econometric model requires the adherence to homoskedasticity, ensuring that the standard errors and subsequent hypothesis testing remain valid. The empirical outputs generated from the Glejser heteroskedasticity evaluation are formalized in the table below:

Table 10 Hesteroskedasticity Test

Dependent Variable: ABS_RES
Method: Panel Least Squares
Date: 03/14/26 Time: 12:14
Sample: 2020 2024
Periods included: 5
Cross-sections included: 17
Total panel (balanced) observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.017978	0.197855	0.090862	0.9279
NPL	0.092304	0.087559	1.054191	0.2958
LDR	-0.001988	0.003047	-0.652358	0.5165
KM	0.098279	0.064456	1.524737	0.1323
ROA	-0.047453	0.055416	-0.856292	0.3951
CAR	0.012288	0.013197	0.931122	0.3553

Source: Output Eviews 12, data processed by researchers, 2026

Referencing the Glejser heteroskedasticity test outputs summarized in Table 10, the empirical probability values for all independent variables strictly exceed the conventional significance threshold (a = 0.05). Specifically, the calculated p-values are documented as follows: Non-Performing Loans (p = 0.2958), Loan-to-Deposit Ratio (p = 0.5165), Managerial Ownership (p = 0.1323), Return on Assets (p = 0.3951), and Capital Adequacy Ratio (p = 0.3553). Because every exogenous predictor fails to achieve statistical significance relative to the absolute residuals, the null hypothesis (H_0) of homoskedasticity cannot be rejected. Consequently, it is empirically verified that the estimated panel regression model is free from any severe variance inequality, satisfying the classical econometric assumption of constant residual variance.

3.8. Panel Data Regression Model Results

Having established the Fixed Effect Model (FEM) as the optimal econometric specification through rigorous model selection diagnostics and subsequently verifying that the framework satisfies all underlying classical assumption thresholds, the analysis systematically proceeds to the definitive panel regression execution. This estimation phase aims to critically examine the empirical relationships between the independent predictors—specifically Non-Performing Loans (X_1), Loan-to-Deposit Ratio (X_2), Managerial Ownership (X_3), Return on Assets (X_4), and Capital Adequacy Ratio (X_5)—and the dependent criterion, Tobin's Q, within the commercial banking sector. The empirical coefficients, standard errors, and corresponding significance metrics generated under this fixed-effects framework are structured and presented in the section below:

Table 11. Panel Data Regression Results (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.190174	0.396935	0.479104	0.6335
NPL	0.007510	0.175660	0.042755	0.9660
LDR	0.002211	0.006112	0.361677	0.7188
KM	0.964552	0.129312	7.459124	0.0000
ROA	-0.142079	0.111176	-1.277966	0.2060
CAR	0.013921	0.026475	0.525826	0.6009

Source: Output Eviews 12, data processed by researchers, 2026

Based on the results of the panel regression estimation with the Fixed Effect model in Table 11, the panel data regression equation is obtained as follows:

Tobin's Q = 0,190174 + 0,007510 NPL + 0,002211 LDR + 0,964552 KM – 0,142079 ROA + 0,013921 CAR

The estimated panel regression equation can be systematically interpreted as follows:

1. The Constant (a): The intercept value is documented at 0.190174. This indicates that if all explanatory vectors—specifically Non-Performing Loans (NPL), Loan-to-Deposit Ratio (LDR), Managerial Ownership (KM), Return on Assets (ROA), and Capital Adequacy Ratio (CAR)—are fixed at zero, the baseline market valuation of the banking firms (Tobin's Q) is estimated to be 0.190174 units.
2. Non-Performing Loans (X_1): The regression coefficient for the risk profile proxy, NPL, is 0.007510. This positive slope implies that a 1 percentage point increase in the non-performing loan ratio is associated with a 0.007510 unit expansion in Tobin's Q, holding all other macroeconomic and institutional factors constant.
3. Loan-to-Deposit Ratio (X_2): The liquidity risk metric, LDR, exhibits a positive coefficient of 0.002211. This indicates that a 1 percentage point escalation in the loan-to-deposit framework will increase firm value by 0.002211 units, *ceteris paribus*.
4. Managerial Ownership (X_3): Representing the corporate governance dimension, the coefficient for KM is 0.964552. This robust positive parameter suggests that for every 1 percentage point increase in executive equity distribution, bank valuation rises by 0.964552 units, assuming other independent regressors remain unchanged.
5. Return on Assets (X_4): The financial performance metric, ROA, carries a negative coefficient of -0.142079. This inverse relationship implies that a 1 percentage point increase in accounting profitability leads to a 0.142079 unit reduction in Tobin's Q, holding all other internal indicators constant.
6. Capital Adequacy Ratio (X_5): The capital solvency indicator, CAR, yields a positive coefficient of 0.013921. This demonstrates that a 1 percentage point increase in regulatory capital adequacy is expected to drive an upward shift in firm value by 0.013921 units, assuming all other operational metrics are held constant.

3.9. Hypothesis Testing

3.9.1 Model Fit Test (F)

The F-test conventionally designated as the joint significance or overall goodness-of-fit diagnostic is executed as an initial step to evaluate the structural validity of the specified regression model. This statistical instrument aims to determine whether the entire set of explanatory parameters simultaneously exerts a statistically significant influence on the dependent criterion (Tobin's Q). A significant F-statistic demonstrates that the collective linear combination of the independent predictors possesses robust explanatory power that can be reliably generalized to the target population. Statistically, this is verified when the calculated F-value exceeds the critical F-table threshold at an alpha level of 0.05, or when the corresponding probability value falls below the significance margin. The empirical outputs of the joint significance evaluation are structured as follows:

Table 12. F Test Results

R-squared	0.576369	Mean dependent var	1.108235
Adjusted R-squared	0.435159	S.D. dependent var	0.531624
S.E. of regression	0.399547	Akaike info criterion	1.221160
Sum squared resid	10.05719	Schwarz criterion	1.853376
Log likelihood	-29.89931	Hannan-Quinn criter.	1.475455
F-statistic	4.081633	Durbin-Watson stat	1.840206
Prob(F-statistic)	0.000008		

Source: Output Eviews 12, data processed by researchers, 2026

Based on the results of the F test in table 4.18, it is known that the calculated F value is greater than the F-table value, which is 4.081633 > 2.37. The F-table value is obtained from (α = 0.05), df1 (number of independent variables) = 5, and df2 (n-k-1) = 79, then the value obtained is 2.37. In addition, the Probability value shows a value smaller than the significant value, which is 0.000008 < 0.05. Therefore, H0 is accepted, which means that the variables Non-Performing Loan, Loan to Deposit Ratio, Managerial Ownership, Return on Assets, Capital Adequacy Ratio together have a significant effect on the dependent variable, so that these variables are worthy or suitable for use.

3.9.2 T-test

Partial hypothesis testing (t-test) is conducted to determine the individual effect of each independent variable on the dependent variable by comparing the calculated t-value with the t-table value at a significance level of 0.05. In this study, the degree of freedom (df) value is calculated as (n − k − 1) = 79, where n represents the total number of observations, namely 85, and k represents the number of independent variables. Based on these calculations, the t-table value used in this study is 1.664. The results of the t-test are presented in the following table:

Table 13. t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.190174	0.396935	0.479104	0.6335
NPL	0.007510	0.175660	0.042755	0.9660
LDR	0.002211	0.006112	0.361677	0.7188
KM	0.964552	0.129312	7.459124	0.0000
ROA	-0.142079	0.111176	-1.277966	0.2060
CAR	0.013921	0.026475	0.525826	0.6009

Source: Output Eviews 12, data processed by researchers, 2026

Based on the empirical outputs summarized in Table 13, the following critical inferences regarding the partial regression effects can be established.

1. Non-Performing Loans (X_1): The variable yields a probability value well above the conventional significance threshold (0.9660 > 0.05). This indicates that Non-Performing Loans exert a positive yet statistically insignificant partial effect on Tobin's Q.
2. Loan-to-Deposit Ratio (X_2): Similarly, the estimated p-value exceeds the alpha level (0.7188 > 0.05), confirming that the Loan-to-Deposit Ratio maintains a positive but statistically negligible partial relationship with Tobin's Q.

3. Managerial Ownership (X_3): In contrast, the probability value is highly significant (0.0000 < 0.05). This robust statistical evidence demonstrates that managerial ownership has a positive and statistically significant partial impact on Tobin's Q.
4. Return on Assets (X_4): For the profitability metric, the probability value fails to reach statistical significance (0.2060 > 0.05), revealing that Return on Assets has a negative and statistically insignificant partial influence on Tobin's Q.
5. Capital Adequacy Ratio (X_5): Lastly, the capital solvency metric exhibits a probability value greater than the significance baseline (0.6009 > 0.05), denoting that the Capital Adequacy Ratio possesses a positive but statistically insignificant partial effect on Tobin's Q.

3.9.3 Coefficient Of Determination Test

The Coefficient of Determination (R^2) is used to measure the ability of the independent variables to explain the variation in the dependent variable. In this study, the Coefficient of Determination (R^2) test was conducted to determine the extent to which Non-Performing Loans, Loan-to-Deposit Ratio, Managerial Ownership, Return on Assets, and Capital Adequacy Ratio influence Tobin's Q. The following are the results of the Coefficient of Determination (R^2) test.

Table 14. Coefficient Of Determinan Test (R)

R-squared	0.576369	Mean dependent var	1.108235
Adjusted R-squared	0.435159	S.D. dependent var	0.531624
S.E. of regression	0.399547	Akaike info criterion	1.221160
Sum squared resid	10.05719	Schwarz criterion	1.853376
Log likelihood	-29.89931	Hannan-Quinn criter.	1.475455
F-statistic	4.081633	Durbin-Watson stat	1.840206
Prob(F-statistic)	0.000008		

Source: Output Eviews 12, data processed by researchers, 2026

Based on the results presented in Table 4.20, the R-Square value is 0.576369. This indicates that the variables Non-Performing Loan, Loan-to-Deposit Ratio, Managerial Ownership, Return on Assets, and Capital Adequacy Ratio are able to explain approximately 58% of the variation in Tobin's Q, while the remaining 42% is influenced by other factors outside the variables examined in this study.

4. CONCLUSION

Based on the empirical estimations executed via EViews 12 addressing the determinants of enterprise value across commercial banks listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024, several pivotal conclusions are established.

First, Non-Performing Loans (NPL) exert a positive yet statistically insignificant influence on Tobin's Q. Although a higher NPL ratio conventionally signals deteriorating credit quality and escalating default risks, these findings imply that market participants display a degree of risk tolerance. Investors remain incentivized to allocate capital into banking equities provided that profitability targets are sustained, prioritizing overall return on investment and macroeconomic tailwinds over localized asset quality metrics.

Second, the Loan-to-Deposit Ratio (LDR) demonstrates a positive but statistically negligible impact on Tobin's Q. This neutrality indicates that liquidity risk is effectively neutralized in the eyes of the market, primarily because listed Indonesian banks strictly adhere to Bank Indonesia's macroprudential thresholds. Consequently, the systematic implementation of prudential lending principles mitigates operational anxieties, decoupling routine liquidity fluctuations from firm valuation.

Third, managerial ownership exhibits a positive and statistically significant impact on Tobin's Q. In alignment with Agency Theory, higher insider equity alignment effectively bridges the utility functions of executives and external shareholders. This structure incentivizes value-maximizing decision-making and dampens moral hazard, thereby cultivating robust investor confidence and driving premium market valuations.

Fourth, Return on Assets (ROA) yields a negative and statistically insignificant relationship with Tobin's Q. This disconnect suggests that during the observed period—which intersected with unprecedented pandemic-induced disruptions—market valuation was largely insulated from internal accounting profitability. Investors seemingly discounted current asset-utilization efficiencies, redirecting their valuation models toward external systematic factors such as benchmark interest rate adjustments, inflation trajectories, and regulatory interventions.

Fifth, the Capital Adequacy Ratio (CAR) maintains a positive but statistically insignificant connection with Tobin's Q. While robust regulatory capital buffers are theoretically vital for bolstering public trust, absorbing unexpected losses, and underwriting credit expansion, the empirical evidence demonstrates that maintaining capital adequacy above the statutory minimum operates as a baseline prerequisite rather than a direct catalyst for premium market pricing.

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