Reaction of Company Value Based on Risk Profile, Good Corporate Governance, Earnings, and Capital Bank

Hari Sukarno[1], Venny Maulidah Perdani[2], Sumani[3]

[1](Faculty of Economics and Business, University of Jember, Indonesia)
[2](Faculty of Economics and Business, University of Jember, Indonesia)
[3](Faculty of Economics and Business, University of Jember, Indonesia)

ABSTRACT: *The high value of the company indicates that the company management has succeeded in implementing the management of the assets entrusted to it by getting returns from business results. The benchmark for the success of company management is that the share price on the stock exchange reflects the company's value. This research method uses multiple linear regression and the t test. The results of the analysis show that NPL, LDR, GCG, and CAR partially have no effect on PBV, but ROA has an effect on PBV. Tobin's q variables, NPL and LDR, have no effect, while GCG, ROA, and CAR have an effect on Tobin's q in banking companies listed on the Indonesia Stock Exchange. The most rational reaction to company value based on NPL, LDR, GCG, ROA, and CAR is to use Tobin's q because investors see the dynamic market value.*
KEYWORDS: *NPL, LDR, GCG, ROA, CAR, PBV and Tobin's q*

INTRODUCTION

The financial sector is part of a financial system that has a very important role as an intermediary institution for all sectors involved in helping the economy and companies that participate actively are a part that can support the real sector in the Indonesian economy, namely in the capital market. According to Maliah & Liliana (2022) explain that in the current situation the banking subsector is a company that is in great demand by investors because the value of companies in the banking sector is quite good.

The banking crisis that occurred in 1997-1998 and the global economic crisis that occurred in 2008 caused public confidence in banking to fade (www.bi.go.id). As the banking world develops, new problems are also occurring at this time. In 2018, a crime occurred using the skimming concept to steal customer money.

Asian Development Bank (ADB) Project Consultant Eric Sugandi stated in a news media website (www.jawapos.com), the short-term impact related to skimming cases is increasing reputation risk. Customer trust can quickly recover or decline depending on how quickly the bank resolves the skimming problem that occurs. Therefore, banking must continue to improve security and repair loopholes that can be exploited by criminals in anticipation of similar problems occurring. So, as a part of supporting the Indonesian economy, banks have duties and functions as financial intermediaries which must operate well. Based on these important functions and tasks,

Banks and stakeholders must know that the level of bank health is an important aspect. Apart from maximizing the bank's function as an intermediation institution, investment decision making also requires signals about the bank's health level. Rusmini & Mubarokah (2022) said that the level of bank health does not only reflect the bank's financial performance, but can also reflect the performance of company management.

Bank health level system regulations were originally contained in Bank_Indonesia regulation No 6/10/PBI/2004 concerning bank health level which can be assessed using the CAMELS (Capital, Asset, Management, Earnings, Liquidity,_Sensitivity) method, then Bank Indonesia changed it to a level assessment system. bank health using the RGEC method (Risk Profile, Good Corporate_Governance, Earnings, and Capital) as stated in Bank Indonesia regulation number 13/1/PBI/2011, this regulation states that the Risk approach (Risk-based Bank Rating/RBBR) must be used to assess the level of bank health, both consolidated and individually. These regulations are contained in PBI Number: 13/1/PBI/2011 and SE Number: 13/24/DPNP into 4, namely Risk Profile (risk_profile), Good_Corporate Governance (GCG),

Risk Profile Assessment contains inherent risks which are divided into eight risks, namely: legal risk, credit risk, liquidity risk, market risk, operational risk, compliance risk, strategic risk and reputation risk. Of the various risks above, there are only two that can be measured using financial ratios, namely liquidity risk and credit risk. Non Performing_Loan (NPL) is used to measure credit risk, namely the risk posed by debtors who are unable to repay their obligations, or losses that may be incurred by debtors who fail to fulfill their obligations to the bank. Liquidity risk is measured using the Loan to_Deposit Ratio (LDR), namely the risk caused by the bank's inability to fulfill obligations that have reached the deadline [16].

Good Corporate Governance is the use of business regulatory and management mechanisms to produce increased company prosperity. A Good Corporate Governance mechanism is used to provide protection to creditors and shareholders in order to get a return on investment appropriately, fairly and efficiently. Bank management showing good company performance reflects that the bank is in a healthy condition [8].
Earnings: Increasing profits indicate that the Bank's performance is getting better and the Bank's financial condition is getting healthier. Based on Bank Indonesia Circular Letter No._13/24/DPNP of 2011, the health of the Bank seen from the earnings aspect can be measured using the profitability ratio. Profitability is a bank guideline for measuring the Bank's ability to gain profits during a certain period. Profitability can be measured through Return on Assets (ROA).

CAR is part of an indicator in measuring a bank's ability to overcome the decline in assets due to losses experienced by the bank. In other words, CAR is a benchmark for analyzing a bank's resilience in facing possible risks that will occur.

The high value of the company indicates that the company management has succeeded in implementing the management of the assets entrusted to it by getting returns from business results. The benchmark for the success of company management is that the share price on the stock exchange reflects the company's value. An increase in share prices on the stock exchange will provide information to the market that the company is in good condition [11].

Based on the problem formulation and objectives that have been made, this research aims to analyze the influence of NPL, LDR, GCG, ROA, CAR partially on PBV and analyze the influence of NPL, LDR, GCG, ROA, CAR partially on Tobin's q in banking companies registered in Indonesia stock exchange.

LITERATURE REVIEW
1. The relationship between NPL and PBV and Tobin's Q
According to Mahmoedin (2010:1) NPL is a situation or condition where the debtor is unable to pay his obligations to the bank [7]. The value set by Bank Indonesia is an NPL ratio of less than 5%, because a high NPL ratio value indicates that the bank is in an unhealthy position and the higher the number of debtors who fail to fulfill their obligations. This can be the cause of losses which will later be borne by the company and will subsequently have an impact on the PBV and Tobin's Q values (Rahma & Wisnu, 2018). In this way, it is also related to signal theory which states that company information is a signal of the situation and conditions occurring in the company, so PBV and Tobin's Q will increase if credit risk in banking companies decreases.

2. The relationship between LDR and PBV and Tobin's Q
Liquidity is the ability of a company to fulfill financial obligations that are due, as well as being able to meet submitted credit requests [6]. Bank Indonesia uses a standard Loan to Deposit Ratio (LDR) of 80%-110%. A higher ratio indicates that the liquidity capacity of the bank in question will be lower. The cause of this is due to the increasing amount of funds needed to finance credit. So banks must balance the large amount of credit given to the public with the bank's ability to return these funds. By balancing these capabilities, the bank will continue to maintain the stability of the LDR ratio,and can build and increase investor and public confidence that the bank is in a healthy condition, which ultimately has an impact on increasing the value of PBV and Tobin's Q.

3. The relationship between GCG and PBV and Tobin's Q

The for Economic Cooperation and Development(OECD) in Syofyan's book (2021) defines GCG as a system used for directing and controlling business activities in a company. Aprilia (2021) states that banks implement corporate governance based on GCG principles. The implementation of GCG must also be based on a statement of commitment not to accept or request gifts from business partners, debtors, customers or other third parties in any form and for any reason, declare compliance with all codes of ethics and annually must disclose all activities that have / contains a conflict of interest, where every quarter the Work Unit must report transactions or decisions that contain a conflict of interest.Implementing good GCG mechanisms within a company will increase the value of PBV and Tobin's Q if the company is able to foster trust and provide protection to creditors and investors to obtain returns on investments that are fair, precise, and efficient.

4. The relationship between ROA and PBV and Tobin's Q

According to Kasmir (2016: 203) ROA is a ratio that shows the results (return) on the number of assets used in the company. Ristiani (2018) said that a larger ROA number shows that the bank is quite good at managing its assets because the rate of return will show a greater increase. This condition becomes a magnet for people to invest and will increase the value of PBV and Tobin's Q.

5. The relationship between CAR and PBV and Tobin's Q

Dendawijaya (2009: 121) said that CAR is a capital ratio that describes the extent to which a bank is able to provide funds for business development purposes and accommodate the risk of losses that may occur due to the bank's operational activities.

The basis for determining the CAR value is in Bank Indonesia Regulation no. 10/15/PBI/2008. The minimum CAR value is 8%. A bank is considered healthy if it has a CAR value above the minimum limit, namely 8%, so that the higher the CAR is an indication of the bank's health level, the better it is. A high CAR value indicates that the bank is able to overcome possible losses caused by credit and securities trading. Apart from that, if the CAR has a high value, the bank will gain the trust of the public and investors regarding the bank's ability to manage its capital so that the absorption of funds from the public increases, which will have an impact on increasing the value of PBV and Tobin's Q.

RESEARCH METHODS

The population in this research is all banking companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The population members with complete data are 27 bank issuers. All data can be obtained without any obstacles, so that all members of the population are used as research objects. Therefore, research samples are not used or are called census research.

Researchers used secondary data sources in the form of annual reports for 2018-2022. The use of this year's time range is because it reflects the most updated company profile. The IDX site is a reference for obtaining data regarding financial reports and annual reports issued by banking companies. (www.idx.co.id)

1. Data analysis method
1.1 Determining Variable Values

*Risk profile*is an assessment of the inherent risks and quality of the implementation of risk management in bank operations. This research measures credit risk using the NPL and LDR ratios to measure liquidity risk. According to Darmawi (2011:16) the NPL ratio can be calculated using the formula:

$$NPL = \frac{non-performing\ loan}{Total\ Credit} \ x\ 100\%$$

Based on the opinion of (Kasmir, 2016: 225) the LDR ratio is calculated using the formula:

$$LDR = \frac{Total\ Credit}{third-party\ funds} \ x\ 100\%$$

Good Corporate Governance is an assessment of the implementation of GCG principles in bank management using self-assessment. The following is a table of levels for good corporate governance adapted to Bank Indonesia Circular Letter Number 13/24/DPNP

Table 1 GCG Assessment

Ranting	Value
1	Very Good
2	Good
3	Somewhat
4	Bad
5	Very Bad

Earnings or profitability is the company's ability to utilize available capital to obtain net results (profit). In this research, to assess profitability (earnings), the ratio that can be used is ROA. According to Sujarweni (2017:65) ROA can be formulated as follows:

$$ROA = \frac{profit\ before\ tax}{\text{Average Total Assets}} \times 100\%$$

Capital (Capital) is the basis for financing a company's operations, the calculation of which is that the company can increase profits or reduce company losses. In the capital ratio used is CAR. According to Dendawijaya (2009:121) CAR is formulated as follows:

$$CAR = \frac{\text{Capital}}{\text{Risk Weighted Asset}} \times 100\%$$

The dependent variable used in this research is company value. Which is proxied by PBV and Tobin's Q. Company value using PBV according to Brigham's opinion (2010:151) is formulated as follows:

$$PBV = \frac{\textbf{stock price}}{\textbf{Book value per share}}$$

The company value using Tobin's Q is formulated as follows:

$$Q = \frac{\textbf{MVE} + \textbf{D}}{\textbf{TA}}$$

1.2 Classic assumption test
The classical assumption tests in this research include the multicollinearity test, heteroscedasticity test and model normality test. The multicollinearity test aims to find out whether there is a correlation between the independent variables [4]. The heteroscedasticity test aims to find out whether in the regression model there is no inequality of variance from the residuals of one observation to another [4]. According to Ghozali (2016: 154) The normality test is used to test whether data is normally distributed or vice versa.

1.3 Multiple Linear Regression Analysis
Multiple linear regression analysis is a method used to test the influence of two or more independent variables on one dependent variable [4]. The multiple linear regression analysis model can be described in the following equation:

PBV $\quad = b_0 + b1NPL + b2LDR + b3GCG + b4ROA + b5CAR + e$
Q $\qquad = a_0 + a1NPL + a2LDR + a3GCG + a4ROA + a5CAR + e$

1.4 Hypothesis testing
The t test aims to determine the effect of each independent variable on the dependent variable partially [4].
1. H0 : bi = 0; NPL, LDR, GCG, ROA, CAR partially have no effect on PBV
   Ha : bi ≠ 0; NPL, LDR, GCG, ROA, CAR partially influence PBV
   Where i = 1, 2, ….., 5
2. H0 : ai = 0; NPL, LDR, GCG, ROA, CAR partially have no effect on Tobin's Q
   Ha : ai ≠ 0; NPL, LDR, GCG, ROA, CAR partially influence Tobin's Q
Where i = 1, 2, ….., 5

If the significant value is less than 0.05 then H0 (null hypothesis) is rejected and Ha (alternative hypothesis) is accepted and vice versa. This means that there is an influence between the independent variable and the dependent variable

DATA ANALYSIS
1. Classic assumption test
1.1 Normality test

The normality test is intended to determine whether the residuals of the regression model under study are normally distributed or not. The results obtained are presented in Table.

Table 3 Normality Test Results

		NPL	LDR	GCG	ROA	CAR	PBV	Tobin's q
N		135	135	135	135	135	135	135
Normal Parameters[a,b]	Mean	0,024236	0,76721	1,99	0,013924	0,21839	1,3219	1,0244
	Std. Deviation	0,0109303	0,137300	0,481	0,0108428	0,063214	1,13160	0,23014
Most Extreme Differences	Absolute	0,061	0,093	0,111	0,103	0,093	0,112	0,116
	Positive	0,057	0,053	0,111	0,100	0,093	0,104	0,113
	Negative	-0,061	-0,093	-0,089	-0,103	-0,051	-0,112	-0,116
Kolmogorov-Smirnov Z		0,708	1,080	1,291	1,195	1,079	1,306	1,352
Asymp. Sig. (2-tailed)		0,698	0,194	0,071	0,115	0,195	0,066	0,052

The results of the One Sample Kolmogrov-Smirnov statistical test in table 4.3 show the Sig. above 0.05, namely the PBV variable with a value of 0.066 and the Tobin's q variable of 0.052. This means that the residual data is normally distributed.

1.2 Multicollinearity Test

Multicollinearity test is a test carried out with the aim of finding a correlation between several or all independent variables in a multiple linear regression model and if the independent variables studied are correlated with each other then these variables are not orthogonal. The test results can be seen in the table.

Table 4 Multicollinearity Test Results

Variabel Indepndent		Collinearity Statistics		Keterangan
		Tolerance	VIF	
1	(Constant)			
	NPL	.942	1.062	There is no multicollinearity
	LDR	.960	1.042	There is no multicollinearity
	GCG	.894	1.118	There is no multicollinearity
	ROA	.877	1.140	There is no multicollinearity
	CAR	.967	1.034	There is no multicollinearity

Based on Table 4, the results of the multicollinearity test show that all variables have VIF values ≤ 10 and Tolerance > 0.01, so it can be stated that all variables do not have symptoms of multicollinearity.

1.3 Heteroscedasticity Test

The heteroscedasticity test is a test to see whether the multiple linear regression model that has been formed has the same variance and residuals from one observation to another observation or not.
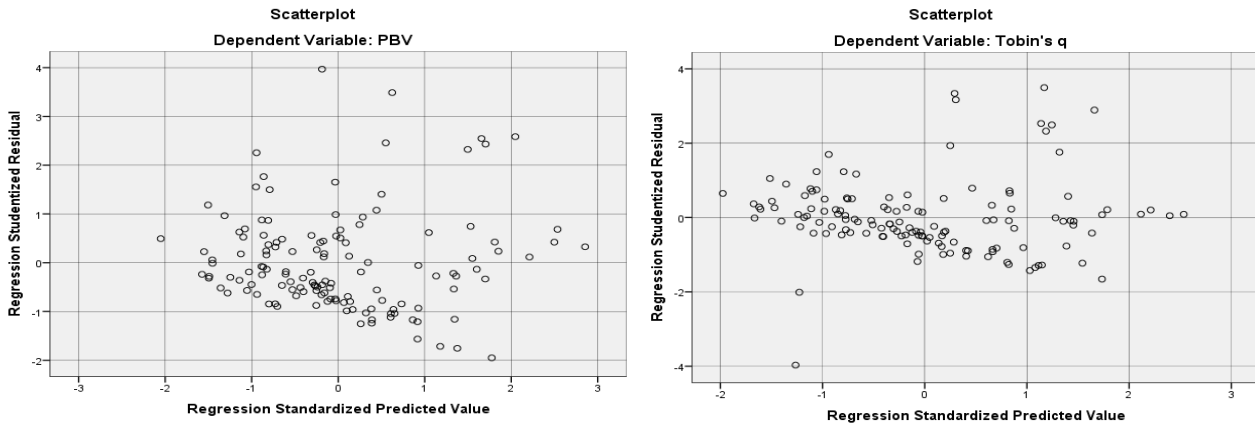
Figure 1 Heteroscedasticity Test Results with Scatterplot

From the Scatterplot graph in Figure 4.1 above, it can be seen that the data points are spread above, below, or around the number 0, and the data points are spread evenly, not just on one side, top or bottom, besides that the distribution of the points does not form a wavy pattern or any pattern so that it can be said that the regression equation does not show symptoms of heteroscedasticity and is declared to have passed the heteroscedasticity test.

2. Multiple Linear Regression Analysis

Table 2 Results of Multiple Linear Regression Analysis

Model		Variabel Independent	Unstandardized Coefficients	
			B	Std. Error
PBV	1	(Constant)	1.120	.812
		NPL	.050	.084
		LDR	-.608	.664
		GCG	.295	.196
		ROA	.454	.088
		CAR	.022	.014
Tobin's q	2	(Constant)	.474	.163
		NPL	.012	.017
		LDR	.093	.137
		GCG	.099	.040
		ROA	.074	.018
		CAR	.007	.003

PBV = 1,120 + 0.050 NPL − 0.608 LDR + 0.295 GCG + 0.454 ROA + 0.022 CAR

Q = 0.474 + 0.012 NPL + 0.093 LDR + 0.099 GCG + 0.074 ROA + 0.007 CAR

3. Hypothesis testing

Table 5 t test results

Model	Variabel Independent	t	Sig.	Keterangan
PBV	NPL	.597	.551	H_0 accepted
	LDR	-.916	.362	H_0 accepted
	GCG	1.501	.136	H_0 accepted
	ROA	5.159	.000	H_0 rejected
	CAR	1.601	.112	H_0 accepted
Tobin's q	NPL	.677	.499	H_0 accepted
	LDR	.681	.497	H_0 accepted
	GCG	2.458	.015	H_0 rejected
	ROA	4.082	.000	H_0 rejected
	CAR	2.371	.019	H_0 rejected

The results of the t test explain the level of significance of each variable studied. The significance numbers in the table above are used to see and measure the partial influence of each independent variable on the dependent variable by comparing the significance value with the tolerable error level (α), where the results are given that if we look at the PBV variable, only the ROA variable has a sig value < 0.05, namely 0.000 < 0.05, which means H0 is rejected, while the NPL, LDR, GCG and CAR variables have a sig value > 0.05, which means H0 is accepted, and If you look at the Tobin's q variable, the GCG, ROA and CAR variables have a sig value < 0.05, which means H0 is rejected, while the NPL and LDR variables have a sig value > 0.05, which means H0 is accepted.

DISCUSSION
3.1 Partial Influence of NPL, LDR, GCG, ROA CAR on PBV
This research explains that NPL does not affect PBV. This means that the basis for decision making made by investors in investing their capital does not look at the NPL ratio or bad credit. Apart from that, investors consider that an NPL value below 5% is not a significant problem and investors who analyze the company's risk do not look at the NPL ratio. This means that the company can manage the level of credit risk well.

*Risk Profile*which is also proxied by the Loan to Deposit Ratio (LDR) has no effect on PBV. LDR is the bank's ability to distribute credit based on funds from third parties that do not contribute too much to generating profits. Therefore, LDR is rarely used by investors as a reference/tool in making decisions about investing. The results of this research are different from research by Halim (2022) which said that LDR had a significant effect on PBV.

GCG results show that it has no effect on PBV. This is because a high bank self-assessment rating does not guarantee that the company has implemented GCG principles optimally or that the company has not yet paid attention to and implemented GCG principles properly and correctly, which means that in this case investors will pay more attention to other aspects of the company such as the company's capabilities. in generating profits and how the company's performance develops.

Return On Assets(ROA) in this study has an effect on PBV. The value of the company will increase if the ROA value increases, which means that potential investors will be interested in investing shares in the company if the profits obtained by the company increase so that this can have an impact on increasing the value of the company.

Capital Adequacy Ratio(CAR) shows that there is no influence on company value as proxied by PBV. This means that an increase in the CAR ratio has no impact on company value. This happens because banks do not allocate their funds properly in the form of credit, so there are a lot of idle funds. The results of this research are in line with research by Karsina et al (2019) which states that CAR has no influence on PBV.

3.2 Partial influence of NPL, LDR, GCG, ROA CAR on Tobin's q
From the partial test results, NPL has no effect on Tobin's q. This is possibly caused by Tobin's Q which reflects the company's performance in the long term so that investors view that in the long term the company can reduce the level of non-performing loans so that it does not have an impact on the value of the company.

LDR does not affect the value of banking companies, this is because the benchmark for banking companies does not come from the amount of loans or third party funds, and whether the company's value is good or bad does not depend on the LDR value. Investors focus more on receiving the profits generated. Apart from that, if the loan given turns out to experience problems in the future, the large capital value will be a fairly strong guarantee for investors.

Good Corporate Governance(GCG) in this study shows an influence on Tobin's q. The GCG function itself can grow investor confidence in the company. When a company implements GCG, the company has several benefits, namely increased business performance, the cost of capital becomes lower, and it is easier for the company to obtain additional capital. Randy (2012), shows in his research that there is a positive influence of GCG on company value with the GCG score. A high value on the GCG score reflects that the Good Corporate Governance implemented in the banking company has been carried out well.

Earnings which is proxied by ROA has an effect on company value. The greater the profit, it shows that the financial condition is healthier and the bank's performance is getting better. If the company has stable profits, then this can provide a good picture of the welfare of shareholders. The profits generated will provide an illustration that the company is able to manage operations optimally so as to ensure business continuity in the future. When the profit generated by the Company is higher than in the previous year, this information provides a good signal to stakeholders.

Capital Adequacy Ratio(CAR) has an effect on company value because the test results show that CAR shows a significance value that is smaller than the standard significance or error tolerance level that has been determined. This illustrates that a company must provide information to users regarding the company's financial reports. This information is conveyed by the company in the form of information given to customers and investors in the form of an explanation of the company's capital adequacy.

4.3 Company Value Reaction based on NPL, LDR, GCG, ROA, CAR
The test results show that what influences PBV is ROA and what influences Tobin's q is GCG, ROA and CAR. From these results it can be seen that it is more rational to use Tobin's q because what is seen is the market value which is always dynamic. And conceptually, the Tobins'q ratio has more advantages compared to the PBV ratio because the high Tobins'q ratio owned by the company can make investment opportunities more attractive and can outperform the competition.

CONCLUSION
This research uses NPL, LDR, GCG, ROA, CAR as independent variables while for company value which is proxied by PBV and Tobin's q is used as the dependent variable. The aim of this research is to find out and analyze the influence shown by the independent variable on the dependent variable. partial during the period 2018 to 2022 through a multiple linear regression analysis process with a tolerable error rate or α. Based on the presentation of test results and answers to the problem formulation in this research, the conclusions obtained are as follows:
1. NPL, LDR, GCG and CAR partially have no effect on PBV, but ROA has an effect on PBV. Tobin's q variables, NPL and LDR have no effect, while GCG, ROA and CAR have an effect on Tobin's q in banking companies listed on the Indonesia Stock Exchange.
2. The most rational reaction to company value based on NPL, LDR, GCG, ROA, CAR is to use Tobin's q because investors see it as a dynamic market value.

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