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Evaluating The Measurement of Corporate Value with The Investment Opportunity Set (IOS) Survey in Banking Indonesia

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Abstract.
This study intends to test the company's value, which is proxied using the investment opportunity set (IOS) with several latent variables: profitability, liquidity and capital structure. The factors that become manifest variables of profitability are ROE and ROI. For LDR and CR liquidity manifest variables. For the Capital Structure variables, namely DPR and CAR, as well as PBV and CAPBVA as indicators of IOS. The survey was conducted at Banking Sector companies. The research sample was conducted on public banks registered on the IDX for 2017-2019, namely 14 National Commercial Banks. The model test designed by the research used SEM PLS. Signaling theory and information asymmetry theory become a parameter for analyzing the measurement of investment opportunities in banking companies to strengthen research reasons to examine the factors that influence the movement of IOS. The results of this study indicate that the Profitability proxy, as measured using ROE and ROI, has a significant positive effect on Firm Value (IOS). Liquidity, as measured using LDR and CR, both have a significant positive effect on Firm Value. Capital Structure, which is proxied using DER and CAR, has a significant positive effect on Firm Value.
Keywords: Profitability, Liquidity, Capital Structure. Enterprise Value (IOS).

1. Introduction

Management policy on dividends optimally creates a balance between the interests of shareholders through dividends and the company's interests in terms of growth. Deciding to

pay dividends is one of the most difficult considerations for companies because it can hinder their growth and survival (Trajtenberg, 2015). Investment opportunities or better known as Investment Opportunity Set (IOS), are a consideration that influences the company's dividend policy.

According to Sarmento et al. (2014), the percentage of profits the company pays will decrease if investment opportunities increase. On the other hand, if the investment opportunity decreases, the dividend payout will increase. Dividend policy is important because companies must make decisions related to investment activities appropriately to maximize profits and company value.

Dividend payments are strongly influenced by investors who prefer high dividends resulting in lower retained earnings. Investors assume that dividends received at this time are more valuable than those obtained later on capital gains. On the other hand, management holds cash to pay off debt or increase investment. Therefore, management needs to create an optimal dividend policy where the policy creates a balance between current dividends and future growth in terms of maximizing firm value.

Investment decisions will determine the source and form of financing funds. Issues that must be answered in funding decisions are related to the source of funds, whether internal or external sources, the amount of debt and capital itself, and how the type of debt and capital will be used, given the financing structure will determine the cost of capital which will be the basis for determining the desired return required Conditions such as it can determine the IOS of a company.

Companies with high IOS tend to pay lower dividends than companies with low IOS, or in other words, high IOS in the future makes the company said to have a high growth rate. And is an investment that is expected to get a greater return. Companies with high investment opportunity levels will be able to generate higher profits. Thus, the market will respond more to companies with opportunities to develop. A high market response to earnings indicates the company has good profit quality. (Kallapur, 2001)

The results of Jalloew's 2012 study of 638 companies in England showed that a decrease in company value is an important factor for financial analysis which will have an overall impact on the capital market (Jallow et al. 2012). the higher the stock price, the higher the company value (Trajtenberg, 2015). Firm value is the selling value of a company as an operating business. The existence of excess sales value over liquidation value is the value of the management organization that runs the company.

The phenomenon of company value as measured using Price to Book Value (PBV) has decreased from 2017 – 2019. The highest average company value in 2017 was 1.85 times, and the lowest was in 2019 at 1.45 times. In 2018 and 2019, the average banking PBV value decreased by 0.25 times and 0.15 times from the previous year. In addition, several companies experienced a continuous decline in PBV values from 2017-2019, namely Bank Rakyat Indonesia Tbk, Bank Mandiri (Persero) Tbk, and Bank Woori Saudara Indonesia 1906 Tbk. Several factors cause the decline in the value of PBV, so companies must quickly improve their value.

The differences between this study and previous research are: 1) Previous research only examined the effect of Investment Opportunity Set (IOS) on stock returns, while this study

added independent variables, namely profitability, liquidity and capital structure. 2) Previous research measured the Investment Opportunity Set (IOS) by taking a sample of manufacturing companies, while this research sampled banking companies listed on the Indonesian stock exchange for the 2017-2019 period.

This study refers to several theories (theoretical pluralism): agency theory, information asymmetry theory, financial intermediation theory, and bank risk management. An approach using various related theories is carried out considering the specificity of banks and in line with the conclusions of Daily, Dalton and Canella (2003), Lynall et al. (2003), and Nicholson & Kiel (2004), which state that it is not enough to use only one particular theory to be able to understand and explain corporate governance. The Grand theory or main theory is the basic theory, namely the theory of ownership (agency theory and asymmetric information theory). While the middle range theory is Banking Theory, banking intermediation theory, and Asset Liability Management Concept) and Banking Risk Management theory.

Fama (1985) states that companies that announce loan agreements with banks provide positive information signals. This is because bankers know confidential negative information during the lending process. Conversely, companies announcing bank debt reductions contain insider information unfavorable to bankers' actions.

Observing information signals from company management with bright/profitable prospects can use larger debt as a positive signal to investors/market that the company has bright prospects in the future. And avoid offering new shares that are more frequent than usual because it can give a negative signal to investors/market even though the company's prospects are bright.

Firm value is the overall value of a company for the performance that has been carried out, and investors have a good perception of the company. According to Brealey et al. in Silvia Indarini (2019: 15), "Company value is the collective value of investors about the performance of a company, both current performance and future projections."

Investment Opportunities Set (IOS) is the availability of investment alternatives in the future for companies (Rokhayati, 2005). One measure expected to be a barometer that shows investment success for investors is company value (Chemmanur, Loutskina & Tian, 2014).

Investment Opportunities Set (IOS) is the company's value, the amount of which depends on the expenses set by the management, which currently are investment choices that are expected to generate large returns. Due to the unobservable nature of IOS, the Investment Opportunities Set (IOS) requires a proxy (Rokhayati, 2005). Meanwhile, Agus Prawoto (2016: 21), "Company value is the value of all assets, both operational and non-operational tangible assets. If it is related to the company's capital structure, its value also means the value of the entire company's capital structure, namely the fair market value.

Capital Expenditure to Book Value of Assets (CAPBVA) is a ratio used to see the additional flow of a company's share capital for additional investment in its productive assets (Einhard, 2006). The greater the additional flow of share capital, the greater the company's ability to use it as an additional investment so that the company has the opportunity to grow (Sutrisno, 2012). Thus it will have an impact on increasing the stock price of the company and will ultimately increase the return received by shareholders.

$$\text{CAPBVA} = \frac{\text{The growth of asset}}{\text{Total Aset}}$$

There are several factors of company value, including:

a. Profit Growth. This factor positively influences high corporate value, and the more valuable the profit growth generated, the greater the profit potential. So that the company's profits can manage its business efficiently because it can get high profitability and increase public trust.
b. Dividend Payout Ratio. This factor positively influences higher growth from increased sales value in companies with profits for shareholders. The dividend payout ratio factor can signal investors towards the company to maintain and respond positively with higher growth so that it has the character of dividend growth.
c. Required Rate of Return. The required rate of return factor has a profit level that is considered feasible for investors or a level with prioritized profit. This factor can be given value results in selling shares and will drive the decline in stock prices further so that this ability will be even lower.

According to I Made Sudana (2011: 23) says that "The valuation ratio is a ratio related to the assessment of the performance of company shares that have been traded on the capital market (go public)." The valuation ratio provides information on how much the public values the company, so people are interested in buying shares at a higher price than their book value. The following are some of the methods used to measure company value:

Price earning ratio. This ratio measures the ratio between the company's stock price and the profits earned by the shareholders. The formula used to measure the Price Earning Ratio is as follows:

$$\text{PER} = \frac{Market\ Price\ per\ Share}{Earning\ per\ Share}$$

Price to Book Value (PBV). This ratio shows whether the price of the shares being traded is above or below the book value of the shares. Price to book value describes how much the market appreciates the book value of a company's shares. The higher this ratio, the more the market believes in the company's prospects.

$$\text{PBV} = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

Tobin's Q., Another way of measuring company value is using Tobin's Q method, which James Tobin developed. Tobin's Q is calculated by comparing the ratio of the market value of the company's stock to the book value of the company's equity. This ratio is superior to the market value to book value ratio because it only focuses on how much the company is currently worth relative to how much it will cost to replace it today. The formula used to measure Tobin's Q is as follows:

$$\text{Tobin's Q} = \frac{(\text{ME} + \text{DEBT})}{\text{TA}}$$

Brigham (2018: 127) says, "Profitability Ratios are a group of ratios that show the effect of a combination of liquidity, asset management, and debt on operating results. According to Wijaya (2017: 32) says that "Profitability ratio, namely the ratio that shows the company's ability to generate profit (profit), includes gross profit margin, basic earning power, operating profit margin, net profit margin, return on equity, return on assets, net income (loss) growth

ratio, and net sales growth ratio." According to Kasmir (2018: 114), "Profitability Ratio is a ratio to assess a company's ability to seek profit or profit in a certain period."

Based on the above understanding, it can be concluded that the profitability ratio is the ratio that assesses the company's ability to obtain profit (profit) from revenue related to sales, assets, and equity based on certain measurements.

According to Kasmir (2018: 197), The purpose of using profitability ratios for companies and parties outside the company, namely: (1) to measure or calculate the profits earned by the company in a certain period; (2) to assess the company's profit position in the previous year with the current year; (3) to assess the development of profits from time to time; (4) to assess the amount of net profit after tax with own capital; (5) to measure the productivity of all company funds, use both loan and own capital, and (6) to measure the productivity of all company funds used both own capitals.

The Liquidity Ratio is a financial analysis tool used to assess a company's performance by comparing financial data contained in financial statement items. This ratio is useful for guiding investors and creditors in making decisions in the future. According to Brigham (2018: 127) says that "Liquidity Ratios (Liquidity Ratios) are ratios that show the relationship between cash and current assets of other companies with their current liabilities." According to Wijaya (2017: 32), the ratio that measures a company's ability to pay off its short-term liabilities includes the current, quick, and cash ratios." Syamsudin (2013: 41) states, "Liquidity is an indicator of a company's ability to pay all short-term financial obligations at maturity using available current assets."

According to Kasmir (2018: 132), The objectives and benefits of the liquidity ratio are: (1) to measure the company's ability to pay obligations or debts due when billed. That is, the ability to pay obligations due according to a predetermined deadline (a certain date and month); (2) to measure the company's ability to pay short-term liabilities with current assets. This means the number of liabilities under one year or equal to one year compared to total current assets; (3) to measure the company's ability to finance short-term liabilities with current assets without considering inventories or receivables. In this case, current assets are reduced by inventories and debt, which have lower liquidity; and (4) to measure or compare the amount of existing inventory with the company's working capital.

According to Riyanto (2013: 22) says that "Capital Structure is permanent expenditure which reflects the balance or comparison between long-term debt and own capital." Meeting the company's funding needs from its capital comes from share capital, retained earnings, and reserves. The capital structure aims to unify permanent sources of funds used by the company for its operational activities, which will maximize its value. Several factors affect the capital structure, including asset structure or tangibility, growth opportunities, company size, and business risk.

a. Asset Structure (Tangibility). Asset structure determines the allocation of funds for each component of fixed and current assets.
b. Growth Opportunity. Growth Opportunity is an opportunity for the company to grow in the future. This is an opportunity for the company to invest in good things.

c. Firm Size. Company size is often used to indicate the possibility of a company going bankrupt. In contrast, a company with a larger size is seen as more capable of dealing with crises in running its business.

Business risk will make it difficult for the company to carry out external funding, so in theory, it will have a negative effect on the company's leverage.

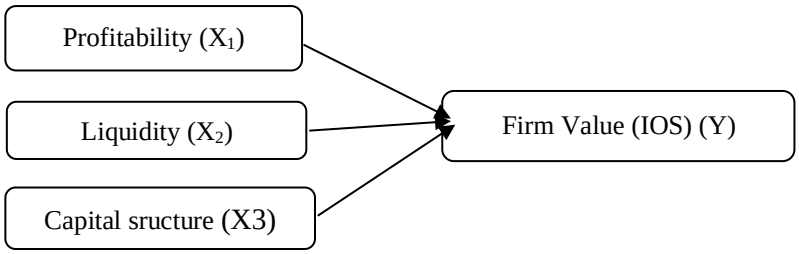
Table 1 Gap Theory

No.	Researcher	Year of Publication	Title of Research	Results
1.	Priska Sondakh, Ivonne Saerang, dan Reitty Samadi	Jurnal EMBA Vol. 7 No. 3 Juli 2019, Hal. 3079 – 3088 | ISSN 2303-1174	The Effect of Capital Structure (ROA, ROE and DER) on Firm Value (PBV) in Property Sector Companies listed on IDX 2013-2016.	1. DER, ROA, and ROE simultaneously significantly affect PBV. 2. ROA does not affect PBV 3. Return on Equity partially affects Price to Book Value in Property companies listed on the IDX. 4. DER does not affect PBV.
2.	Asna Nandita and Rita Kusumawati	Cam Journal: Change Agent for Management Journal: Volume 2, No. 2, October 2018. Pg. 188 | (E-ISSN 2621-0975) (ISSN 2622-3856)	The Effects of Profitability, Leverage, and Size on Firm Value (Study of Manufacturing Companies Listed on IDX 2012-2016)	1. Profitability has a significant positive effect on firm value. 2. Leverage has no significant effect on firm value. 3. Size has a significant effect on firm value.
3.	Ida Ayu Sri Uttari dan I Putu Yadnya	E-Jurnal Manajemen Unud, Vol. 7, No. 6, 2018: 2942-2970 | ISSN: 2302-8912	The effect of liquidity and capital structure on firm value survey at manufacture on listed IDX.	1. Liquidity has a significant positive effect on dividend policy. 2. Capital structure has a significant negative effect on dividend policy. 3. Liquidity has a significant positive effect on firm value 4. Capital structure has a significant negative effect on firm value.
4.	I Gede Eka Kurniawan and I Nyoman Wijana Asmara Putra	E-Jurnal Akuntansi Denpasar, Vol. 28 No. 3 September2019 Hal 1783-1800 E-ISSN 2302- 8556	The Effect of Profitability, Debt, and Dividends on Firm Value (Study of the Mining Sector Listed on the IDX)	1. Profitability has a positive effect on firm value. 2. Debt policy does not affect firm value. 3. Dividend policy has a positive effect on firm value.
5	A.A. Ayu Kemara Dewi	E-Jurnal Manajemen Unud, Vol. 6, No.	The Effect of Profitability, Intangible Assets,	1. Profitability and intangible assets have a

and Ida Bagus Badjra	4, 2017: 2161-2190 | ISSN: 2302-8912	Company Size, and Capital Structure on Company Value (Study of the Pharmaceutical Sector Listed on the IDX)	positive effect on firm value. 2. Firm size has a positive and insignificant effect on firm value. 3. Capital structure has a negative and insignificant effect on firm value.

Source: Journal data processed, 2020

The analytical framework in this study consists of independent variables or independent variables, namely Profitability, Liquidity, and Capital Structure. Meanwhile, this study's dependent or dependent variable is firm value.



2. Research Methods

The secondary data sources contained in this study were taken from the annual financial reports of the banking sub-sector for the period 2017 – 2019. The population in this study are companies engaged in the banking sector and listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period, namely 14 banking companies. The sample used a purposive sampling technique of 14 banking companies listed on the Indonesia Stock Exchange for the 2017-2019 period, as follows:

Table 2. sampling

No.	Code of Company	Company
1.	AGRO	Bank Rakyat Indonesia Agroniaga Tbk.
2.	BBCA	Bank Central Asia Tbk.
3.	BBNI	Bank Negara Indonesia (Persero) Tbk.
4.	BBRI	Bank Rakyat Indonesia Tbk.
5.	BBTN	Bank Tabungan Negara (Persero) Tbk.
6.	BDMN	Bank Danamon Indonesia Tbk.
7.	BJBR	BPD Jawa Barat dan Banten Tbk.
8.	BJTM	BPD Jawa Timur Tbk.
9.	BMRI	Bank Mandiri (Persero) Tbk.
10.	BNBA	Bank Bumi Arta Tbk.
11.	BNGA	Bank CIMB Niaga Tbk.
12.	BNII	Bank Maybank Indonesia Tbk.
13.	MEGA	Bank Mega Tbk.
14.	SDRA	Bank Woori Saudara Indonesia 1906 Tbk.

Source: data processed, 2020

An operational definition is an aspect of research that provides information or explanations about how to measure a variable.

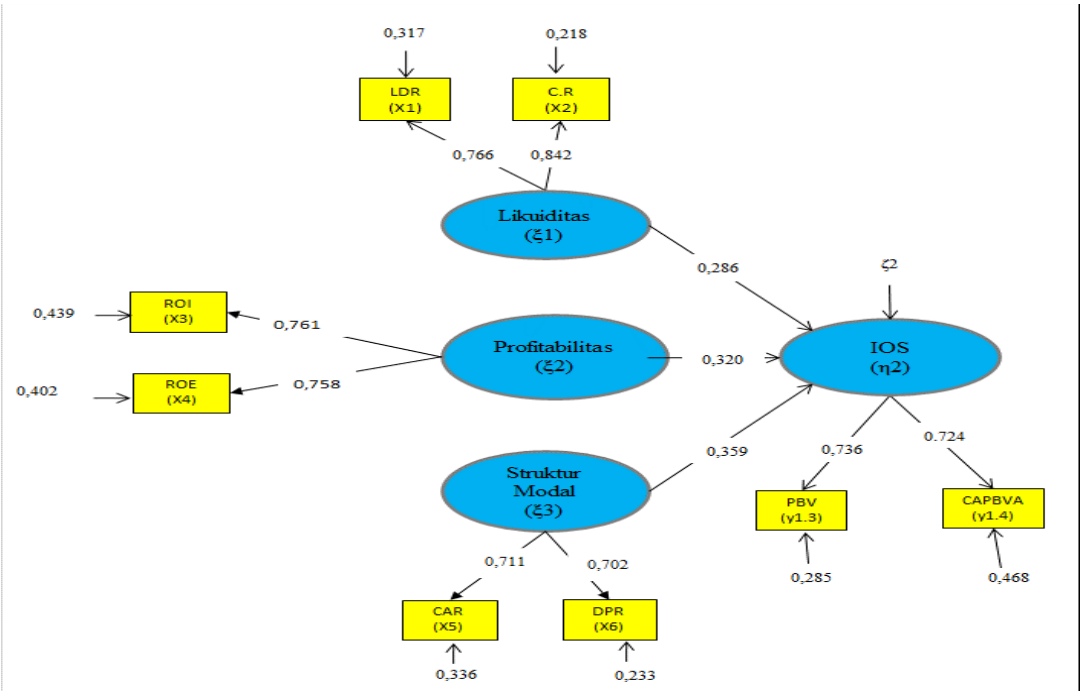
Table 3. Definition of Research Variables

Variable	**Definition of Indicators**	**measurement**

X1	Profitability	The profitability Ratio compares the various components according to the function of financial statements to assess the company's ability to make a profit.	ROE = $\frac{Net\ Profit}{Total\ Equity}$ x 100%
X2	Liquidity	The ratio shows the company's ability to fulfill its obligations or pay its short-term debt.	LDR = $\frac{amount\ of\ credit}{Total\ thrid\ party\ Fund}$ x100%
X3	Capital structure	Balance or comparison between foreign capital and own capital.	DER = $\frac{Total\ Debt}{Total\ Equity}$
Y	Firm value (IOS)	is the company's value, which depends on the expenses set by the management, which are currently investment choices expected to generate large returns.	PBV = $\frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$

Source: data processed, 2022.

3. Results And Discussion



Source: data processed from SEM-PLS 2022

The diagram above shows that all the indicator has a loading factor of 1,000 which means that all the indicator is already valid because the loading factor value fulfills the criteria, which is the construct of loading factor value must be above 0,70. This result shows a good relationship between the indicators and each construct.

In detail, the validity test can be seen in Figure 1, the full model path diagram; it can be seen that the indicators whose loading factor is below 0.7 are LDR (Liquidity), CR (Liquidity), ROI (Profitability) and ROE (Profitability), CAR (Capital structure) and DPR (capital

structure), each of which has a loading factor value of 0.76, 0.84, 0.76, 0.75, 0.71 and 0 .70 according to Chin in Ghozali and Latan (2015), said that a loading factor of 0.50 to 0.60 can be considered quite valid. Hair (2017).

Convergent Validity testing is testing the validity of each construct indicator by evaluating the magnitude of the loading factor value of each indicator. According to Chin in Ghozali and Latan (2015), an indicator is valid if the value exceeds 0.70. However, Chin says that a loading factor of 0.50 to 0.60 can be considered sufficient.

Added by Hair (2017), if there is a loading factor below 0.50 but still greater than 0.4, it is necessary to consider continuing to use it as a measuring tool as long as discarding it does not increase reliability. If there are those below the criteria above, then they are removed from the model, and the validity test must be re-processed by removing invalid dimensions.

figure 4.2.1
Outer Loading on Convergence Validity test

Outer Loadings

Mean, STDEV, T-Values, P-Values | Confidence Intervals | Confidence Intervals Bias Corrected | Samples

	Original Sampl...	Sample Mean (...	Standard Devia...	T Statistics (|O...	P Values
CM11 <- CM	0.611	0.594	0.105	5.834	0.000
CM11 <- Laten...	0.803	0.789	0.069	11.553	0.000
CM12 <- CM	0.681	0.672	0.100	6.846	0.000
CM12 <- Laten...	0.746	0.742	0.089	8.410	0.000
CM13 <- CM	0.575	0.577	0.109	5.295	0.000
CM13 <- Laten...	0.636	0.637	0.115	5.516	0.000
CM21 <- CM	0.522	0.514	0.147	3.548	0.000
CM21 <- Laten...	0.633	0.618	0.146	4.334	0.000
CM22 <- CM	0.688	0.689	0.074	9.331	0.000
CM22 <- Laten...	0.777	0.779	0.074	10.471	0.000
CM23 <- CM	0.656	0.638	0.112	5.837	0.000
CM23 <- Laten...	0.776	0.761	0.099	7.869	0.000
CM24 <- CM	0.594	0.591	0.092	6.455	0.000
CM24 <- Laten...	0.723	0.719	0.081	8.962	0.000
CM25 <- CM	0.553	0.538	0.119	4.633	0.000

Based on the results of convergent validity testing, it can be concluded that (1) the appropriate construct measurements to measure the profitability variable are Return on Investment and Return on Equity. All have a cross-loading value greater than 0.7 in the variable construct; (2) appropriate measuring tools for liquidity variables are the Loan to Deposit Ratio and the Current Ratio. All have a cross-loading value greater than 0.7 in the variable construct; (3) the appropriate construct metrics for measuring the Capital Structure variable are CAR and DPR. All have a cross-loading value greater than 0.7 in the constructed variable; and (4) the construct variables of Firm Value, a measure of investment opportunity known as IOS (Investment opportunity Set), have a cross-loading value greater than 0.7 in the variable construct.

Table 4. Discriminant Validity result

	Firm value (IOS)
Profitability	
Return On Investment	0,803
Return On Equity	0,746
Liquidity	
Loan to Deposit Ratio	0,872
Cash Ratio	0,832
Capital Structure	
Capital Adequacy Ratio	0,869
Dividend Payout Ratio	0,779
Firm value	
Price to Book Value	0,746
CAPBVA	0,812

Source: data processed SEM-PLS 2022

From the calculation results, it can be explained that the cross-loading value of the construct gauges for the construct variables is as follows:

a. The correlation between the Profitability variable and its indicator's Return On Investment and Return On Equity can be said to be good, the indicators used have a cross-loading value greater than 0.7 in the constructed variable, so it is said to have high discriminant validity.
b. The correlation between the liquidity variable and the Loan To Deposit Ratio and Cash Ratio indicators is very good. All indicators used have a cross-loading value greater than 0.7 in the variable construct. So it is said to have high discriminant validity.
c. The correlation between the capital structure variable and the CAR and DPR indicators can be very good. All indicators used have a cross-loading value greater than 0.7 in the constructed variable, so they are said to have high discriminant validity.
d. The correlation between the variable Firm Value and the indicators Price To Book Value and CAPBVA can be said to be good; all indicators used have a cross-loading value greater than 0.7 in the variable construct.

Reliability testing was conducted using composite reliability and Cronbach's alpha, aiming to test the instruments' reliability in a research model. The construct is reliable if all latent variable values have a composite reliability value or Cronbach's alpha ≥ 0.7.

Table 5. Test of Reliability

	Cronbach's Alpha
Profitability	0,855
Liquidity	0,825
Capital structure	0,916
Firm value (IOS)	0,935

Source: data processed from SEM-PLS 03, 2022.

	Composite Reliability
Profitability	0,735
Liquidity	0,724
Capital structure	0,714
Firm Value (IOS)	0,705

Source: data processed from SEM-PLS 03, 2022.

The calculation results show that each construct variable has a reliability value of both Cronbach's alpha and composite reliability greater than 0.7. This can be interpreted that all construct measurements used are reliable and can be accounted for. Testing the inner model is testing a model based on concepts and theories to analyze the relationship between exogenous and endogenous variables described in a conceptual framework. The stages of testing the structural model (inner model) are carried out with the following steps:

To assess the goodness-fit model test (model accuracy test) by looking at the R-square value contained in the PLS Algorithm report, as shown in Table 4.13.

Table 6. *R-Square*

	R Square
Profitability	0.741
Liquidity	0.649
Capital structure	0.368

Source: data processed from SEM-PLS 03, 2022.

Furthermore, to examine the contribution of each variable to firm value, a structural goodness of fit test was performed on the inner model added using the predictive-relevance value (Q2). The Q-square value is greater than 0 (zero), indicating that the model has a predictive relevance value. The formula obtains the predictive-relevance value:

Q2 = 1 – (1 – R21) (1 – R22) (1 – R23)
Q2 = 1 – (1 - 0.7412) (1 - 0.6492) (1 - 0.3682)
Q2 = 0.87124

The Q2 value is 0.871, meaning that 87.1% of the overall model can contribute; the rest is explained by other variables not analyzed. This means that the model has a predictive relevance value.

To find out whether it is significant, it can be seen from the T-table at alpha 0.05 (5%) = 1.96; then, the t-table is compared by the t-value (T-statistics). The hypothesis is accepted if the t-value is greater than the t-table. If the opposite happens, then the hypothesis is rejected. In addition, you can also compare the significant value that occurs with a level of uncertainty of 0.05. If the significance value (indicated by the P value) is less than the confidence level of 0.05, then the hypothesis is accepted. If the opposite happens, then the hypothesis is rejected. The results of the path coefficient as shown in Table 4.14. below, it can be seen that all the relationships between variables turned out to have a significant effect, where the resulting t-statistic value was greater than 1.96 or the P value was smaller than the level of uncertainty of 0.05.

The t-test shows how far the influence of one explanatory variable or individual variables is in the independent measure.

Table 7. t-test

	Original Sample	Standard Error	T Statistics	P Values
Profitability – Firm value	0.688	0.019	3.261	0.000
Liquidity – Firm value	0.460	0.022	2.946	0.000
Capital structure –firm value	0.294	0.015	2.882	0.000

Source: data processed from SEM-PLS.03.2022

Based on Table 4. can be explained as follows:

a. the Profitability variable has a tcount of 3.261 > ttable of 2.055 and a significance value (Sig.) of 0.000 <0.05, meaning that Profitability has a positive and significant effect on Firm Value.
b. The Liquidity variable has a tcount of 2,946 > ttable of 2.055 and a significance value (Sig.) of 0.000 <0.05, meaning that Liquidity has a significant positive effect on Firm Value.
c. The Capital Structure variable has a tcount of 2.882 > ttable of 2.055 and a significance value (Sig.) of 0.000 <0.05, meaning that Capital Structure has a significant positive effect on Firm Value.

The Effect of Profitability on Firm Value

The results showed that the tcount was 3.261 > ttable 2.055 and a significance value (Sig.) 0.000 <0.05, so profitability, as measured using Return on Equity (ROE), had a positive and significant effect on firm value. This means that the stock price will also increase when profits increase, thereby increasing the company's value. Profitability for investors is a reflection of the company's future performance prospects. The higher the value of profitability which is measured using Return On Equity (ROE), then the potential investors will be more interested in investing in the company. If the ROE value is reached and exceeds the target, the company can expand or take action to achieve the goal optimally.

This is to research conducted by Astuti Y.D and Fitria G.N (2019), which states that the profitability variable significantly affects company value.

The Effect of Liquidity on Firm Value

The results showed that the tcount was 2.946 < ttable 2.055 and the significance value (Sig.) 0.000 <0.05, then Liquidity as measured using the Loan to Deposit Ratio (LDR) has a positive and significant effect on firm value. This means that a decrease in the value of the LDR will increase the company's value. Receipts from high loan interest will increase profits for the company. The higher the LDR value, the greater the bank's interest income.

This reinforces Uttari and Yadnya's (2018) research, which states that liquidity significantly affects firm value.

The Effect of Capital Structure on Firm Value

The results showed that the tcount was 2.882 > ttable 2.055 and the significance value (Sig.) 0.000 <0.05, then the Capital Structure as measured using the Debt to Equity Ratio (DER) has a positive and significant effect on firm value. This means that the stock price and company value will increase in a capital structure policy that uses more debt. Investor confidence to invest funds in companies will increase because more companies experience an increase in operating profit resulting in the increased dividend distribution. This is to research by Jallow (2012), which explains that capital structure has a significant positive effect on firm value.

4. Conclusions

Based on the study results, the company value proxied by PBV and CAPBVA, an aspect of investor consideration, is influenced by profitability, liquidity and capital structure. This explains a concept by Kallapur and Trombley that Capital Expenditure to Book Value Assets shows the company's growth prospects, reflected in stock prices. This explains the magnitude of the additional flow of the company's share capital. With this additional share capital, the

company can use it for additional investment in its productive assets. The greater the additional flow of share capital, the greater the company's ability to use it as an additional investment. Thus it will increase the stock price of the company.

Based on the conclusions drawn, the advice that can be given in this research is to do research again with proxies of profitability, capital structure and liquidity ratios to assess their effect on firm value.

For investment observers, pay attention and re-analyze IOS proxies with different proxies. As well as being a material consideration and description in making decisions in investing funds for the company.

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