Analysis of Solvency Ratio and Liquidity Ratio to Company Value in Banking Companies Listed on the Indonesia Stock Exchange

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Abstract
This research was conducted by a Banking Company listed on the Indonesia Stock Exchange. The purpose of the study is to find out and analyze how the influence of the solvency ratio propelled by *debt to equity ratio* and liquidity ratio propelled by the current ratio to the value of the company. The number of samples in this study is 123 financial statements. The research was conducted from 2023 to 2025. This study uses quantitative data processed with the Eviews application with a linear regression model of panel data. The data source used is secondary data taken from the Indonesia Stock Exchange website. The results of the study show that there is a significant positive influence between *the debt to equity ratio* and the value of the company. There is a significant positive influence between *the current ratio* to the company's value.

***Keywords: Debt to Equity Ratio, Current Ratio,* Profit Management, Corporate Value**

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Introduction

The capital market supports the economy because the capital market can connect those who need funds with those who have excess funds, besides that the capital market can also encourage the creation of allocations and efficient ones, because with the existence of the capital market, the overfunded parties (investors) can choose investment alternatives that provide the most optimal returns. For investors who carry out company analysis, financial statement information published by the company is one type of information that can be taken into consideration, because it is enough to describe to investors the extent of the company's condition so far and what it has achieved.

Using financial statements, investors can also calculate how much profit growth that has been achieved by the company has compared to the number of company shares. Based on the analysis of financial statement information, investors can also find out the comparison between the intrinsic value of the company's shares compared to the market price of the shares in question, and on that basis, investors can make a decision whether to buy or sell the shares. Company value is an important parameter in analyzing the performance and growth potential of a company.

A company's value reflects the market's evaluation of its assets, financial performance, growth prospects, and other factors that affect a company's value. In a competitive business world, the company's management must make wise decisions in order to increase the company's value. Financial ratio analysis is a key factor that can affect a company's value. Financial ratio analysis that can be carried out by investors includes liquidity ratio, solvency ratio, profitability ratio and activity ratio. These ratios can be used as a tool to measure performance and problems in a company. Assessing the level of financial performance is an important thing that needs to be evaluated by all types of companies, including banks, whether their performance decreases or increases every year. This is important to be considered in policies and strategies that will be carried out in the next period. (Harahap, 2018)

The banking finance sector has a very important role in maintaining economic stability and influencing a country's economy both micro and macro. The economic condition of a country also describes the state of banking in that country. The financial sector is a group of Service Industry Companies that have been included in Public Companies and are listed on the Indonesia Stock Exchange. Banking institutions are a sub-sector of the financial sector on the Indonesia Stock Exchange and have a very vital role in maintaining economic stability in a country.

The main function of the bank as an institution that can collect and distribute public funds effectively and efficiently, to support the implementation of development in order to increase equity and its results, economic growth and national stability. One of the benefits of banking in life is as an investment model. In investing in banking companies, investors need to assess the company's performance so that the bank's health level can be known.

The Indonesia Stock Exchange is one of the stock exchanges whose development has become an alternative preferred by companies to find funds. The development of the stock exchange, besides being seen by the increasing number of exchange members, can also be seen from the change in the price of traded stocks. Changes in stock prices can provide clues about the excitement and lethargy of capital market activities and investors in carrying out stock buying and selling transactions.

Banks need analysis to find out their condition after carrying out operational activities for a certain period of time. To assess whether a company has good financial performance, is effective in operational activities and achieves the goals set by the company, a financial ratio analysis can be carried out. According to financial ratios, it is an activity to compare the numbers in the financial statements. The trick is to compare one component with another in a financial statement. The numbers compared can be in one period or several periods. From

calculations using financial ratio analysis, the company's internal and external parties can find out how the company's value is. (Kasmir, 2014)

The value of the company itself is the price that potential buyers are willing to pay if the company is going to be sold. The company's value itself is a reflection of the addition of the amount of the company's debt to the company's equity. According to the increase in the value of the company, it is an indication that the company will have good prospects and bring high stock returns. High stock prices make the company's value also high, and increase market confidence not only in the company's current performance but also in the company's future prospects. Thus, the value of the company is the main aspect that investors see before they decide to invest funds in a company. (Mulianti, 2020) (M. Rahayu & Sari, 2018)

Company value is a company that can be said to have good value if the company's performance is also good. The value of the company is also seen from the value of the shares, if the value of the shares is high, then it can be said that the value of the company is also good, because the purpose of the company itself is to increase the value of the company through increasing the prosperity of the owner or shareholders (Nila et al, 2018). According to , the value of the company can also be judged from its stock price which is stable and has increased in the long term. An increase in stock prices will also increase the value of the company. The rise and fall of stock prices in the capital market is an interesting phenomenon to talk about related to the issue of the rise and fall of company value. (Ratnasari et al., 2017)

The solvency ratio is a ratio used to measure the extent to which a company's assets are financed by debt. This means how much debt burden the company bears compared to its assets. Solvency reveals a company's ability to meet its long-term investment and debt obligations and includes the company's capital structure and long-term funds. There are several tools that can be used in measuring solvency but in this study using the Debt to equity ratio, this ratio has a lot of risks if the ratio is higher and can affect the volume price of a company's shares and that is a risk factor that investors will face.

A company's liquidity indicates a company's ability to meet its current debt using its current assets. The liquidity ratio reflects the availability of working capital used by the company in its operational activities. Sufficient working capital is important for companies to ensure that operational activities run well and do not experience financial difficulties. Therefore, liquidity is closely related to the level of corporate profit acquisition (Dwi et al., 2014). The liquidity ratio is represented by the current ratio (CR) used in this study, the current ratio of the company's ability to pay debts that must be fulfilled with the cash available in the company. In addition to knowing the company's ratio, companies need to know the profit management that occurs in the company to see the value of the company. The following is a description of some of the profits of Banking Companies for the 2023-2025 period, as follows:

Table 1. Banking Company Profit for the Period 2023-2025

NO	Issue Code	Company Name	Year		
			2023	2024	2025
1	AGRO	PT Bank Rakyat Indonesia Agro Niaga, Tbk	107.894.430	152.083.400	162.249.293
2	BBTN	PT Bank Tabungan Negara, Tbk	565.707.419.348	2.317.367.399.212	6.112.011.000.00
3	BBNI	PT Bank Negara Indonesia, Tbk	452.972.506.074	271.972.947.663	531,707,917,461

4	BBCA	PT Bank Central Asia, Tbk	057.694.281.873	1.350.884.933.551	5.453.251.410.60
5	BBHI	PT Bank Harda International, Tbk	142.545.462	153.842.847	144.677.294)
6	BTPN	PT Bank Tabungan Pensiunan Nasional, Tbk	.027.104.465.021	1.146.317.048.001	4.127.402.168.34
7	BABP	PT Bank MNC International, Tbk	529.218.651.807	545.493.536.262	557.339.581.996
8	READ	PT Bank Capital Indonesia, Tbk	619.345.678.	875.090.234	678.879.345.45
9	BBRI	PT Bank Rakyat Indonesia, Tbk	987.678.567.234	685.634.231.234	1.091.999.781.99
10	BDMN	PT Bank Danamon Indonesia, Tbk	629.218.651.707	445.443.536.	457.339.981.096
11	BMRI	PT Bank Mandiri, Tbk	.010.021.123.212	987.345.201.092	969.978.991.231
12	BNGA	PT Bank CIMB Niaga, Tbk	162.565.662	654.876.847	144.144.456
13	MEGA	PT Bank Mega, Tbk	529.218.651.80	545.493.536.	57.339.581.996
14	MAYA	PT Bank Mayapada International, Tbk	202.345.162	223.241.827	314.117.999
15	ARDRA	PT Bank Woori Saudara Indonesia, Tbk	142.542.443	153.842.847	144.677.294

Source: www.idx.co.id (Data Processed by Author, 2026)

Based on Table 1, it can be explained that some companies with above-average profits are BBTN, BBCA, BTPN, BMRI, and BBRI companies. Meanwhile, companies whose profits are below the average value are AGRO, BDMN, BBNI, BABP, BACA, BNGA, SDRA, MEGA, MAYA. This decline was caused by the banking company not being able to meet the desired profit target, resulting in a low dividend distribution to shareholders.

Meanwhile, overall the average profit is one year below the average, namely 2023, and there are two years above the average, namely 2024 and 2025. This increase is due to the company's ability to meet the company's desired profit target, which has a good impact on the amount of dividend distribution to shareholders. It has an impact on the increasing the company's capital in carrying out the company's operational activities in the future. This results in a lack of investment from investors in the company, which may have an impact on increasing the amount of company debt in the future.

This study has a difference from the results of previous research where some researchers say that debt to equity ratio affects the value of the company. The results of a study conducted by Gisela Prisilia Rompas (2013) found that solvency has an effect on company value and research found by Alfedo Mahendra, et al. (2012) found that debt to equity ratio has a significant negative effect on company value. This is due to the difference in the results of previous studies where some studies say leverage has a positive effect on the value of the company.

Meanwhile, in the liquidity ratio, there is a difference in the results of previous research which is the background of this research which was conducted by Gisela Prisilia Rompas (2013) showing that liquidity has an effect on the value of the company, but it is different from that found by Alfrodo Mahendra, Dj, Luh Gede Sri Artini and A.A Gede Suarjaya (2012) who found that liquidity has a positive effect on the value of the company.

Previous research has shown a relationship between solvency ratios, liquidity ratios, and company value. Some studies have found that companies with higher solvency ratios and higher liquidity ratios tend to have higher corporate values. This can be due to the market

perception that companies with better financial health have better and more reliable growth potential.

However, there is still a lack of research that focuses on the effect of solvency ratios and liquidity ratios on company value in more specific contexts. Therefore, this study aims to fill this gap by analyzing the relationship between solvency and liquidity ratios and company value in companies in certain industrial sectors. With a deeper understanding of the influence of solvency and liquidity ratios on a company's value, company management can make better decisions in order to improve financial performance and company value. In addition, the results of this research can also provide insights for investors, financial analysts, and other stakeholders in evaluating companies and making smarter investment decisions.

Literature Review

2.1 Agency Theory

Theoretical agency results in an asymmetrical relationship between the owner and the manager, to avoid the asymmetrical relationship that requires a concept. According to , it reveals that the agency's theory will occur if the proportion of managers' ownership of shares is less than 100%. So that managers act to pursue their own interests and not based on maximizing the company's value in decision-making, especially funding decisions. Conflicts of interest can occur due to differences in interests between company owners and managers, so that information imbalance or information asymmetry can occur. From this, managers have a tendency to manipulate financial information to suit the wishes of the company owner. (Jensen & Meckling, 1976) (Ningtyas & Widyawati, 2015)

Agency theory shows the importance of separating the management of the company from the owner, which aims to create efficiency and effectiveness by hiring professional agents in managing the company. So that management has the responsibility as an agent of the company owner, and the company owner can seek information, develop a better system to ensure the agent's actions for the benefit of the owner. The agency theory in this study can show the existence of information asymmetry if there is a conflict of interest when carrying out tax planning practices. This can be minimized with good corporate governance, one of which is to use more transparent information disclosure, in . (Armstrong & Baron, 1998) (Pradnyana et al., 2017)

2.2 Signaling Theory

The next theory is signal theory. Because information essentially presents information, records or an overview, both for past, present and future circumstances for the survival of the company and how it affects the company. According to , it puts forward (Jama'an, 2014) (Suryani, 2015) *the Signalling theory* about how a company should provide signals to users of financial statements.

This signal is in the form of information about what the company has done to realize the owner's wishes. Companies that have good prospects will try to avoid selling the company's shares and seek to acquire new capital in other ways, and if the prospects are unfavorable, they will tend to sell their shares. Company information is an influential element for investors, because company information can provide an overview of the company's current and future state. Complete, relevant, and accurate company information is needed by investors in making decisions.

The annual report is one of the information that can be used as a signal for parties outside the company. This annual report contains accounting information, in the form of financial statements, and non-accounting information in the form of information other than financial

statements. With the availability of this signal theory, the company's management must convey information to investors, so that they can provide information about the company's situation and prospects. From the information received by investors, investors can determine which companies have good company value, which will bring profits to investors.

Companies that make capital investments tend to be able to attract investors because it is expected that these investment decisions will bring greater profits in the future. The use of (Brealey, 2007) (Sofiamira & Nadia, 2017) *capital expenditure* as an investment decision gives a positive signal for the company's future growth which is then well responded to by investors in . This is in accordance with (S. L. Achmad & Amanah, 2014) (Sofiamira & Nadia, 2017) *signaling theory* where investment decisions can provide positive signals for investors. This is because with this investment, investors hope that the company's growth in the future will increase. The increase in the company's growth reflects the company's good performance. That way, the company's value will increase in tandem.

2.3 Company Values

Company value is the investor's collective value of a company's performance. The (Indrarini, 2019) *book value of a firm* is the value of the company that is determined based on the mechanism of the bookkeeping or accounting records. Meanwhile, according to Ubaidilah (2020), Company Value is a value that can measure the level of quality of a value that explains how much the level of importance of a company is in the eyes of investors. According to Company Value, it is the price that potential buyers are willing to pay if the company is sold. (Sugeng, 2017) (Husnan & Pudjiastuti, 2015)

Based on the above definition, it can be concluded that company value is an ability where a company can describe market price and value that can measure the level of company quality in the eyes of investors.

Company Value Parameters

According to explaining that the measurement of a company's value can be done using valuation ratios or market ratios. The rating ratio is the most comprehensive measure of performance for a company. The value of a company in this study is measured by (Indrarini, 2019) *the Price Earning Ratio* (PER), which is the price that the buyer is willing to pay if the company is sold. The *Price Earning Ratio* (PER) formula is as follows:

$$PER = \frac{Price\ Per\ Share}{Earning\ per\ Share}$$

2.4 Financial Performance

A company can be said to be able to maintain its existence when the company is able to maintain good and stable company performance. The company's financial performance is the company's achievement in the financial sector related to revenue, operational activities, debt structure and investment results. Financial performance is an overview of the company's success achievements can be interpreted as the results that have been achieved for various activities that have been carried out.

Performance as actions or activities that can be measured. Company performance is a measure of the company's ability to create added value for the company's future sustainability. Company performance is a display of the company's state during a certain period. Financial performance is the work achievement that has been achieved by the company in a certain period and is stated in the financial statements of the company concerned. To find out the performance achieved, performance measurement is carried out. A commonly used performance measure is

a measure of financial performance. The measure of a company's financial performance is indicated by its financial statements. (A. S. Rahayu, 2010)

The company's performance can be measured from the financial statements issued periodically that provide an overview of the company's financial position. Performance assessment through non-financial aspects is more relatively difficult to do, because the assessment depends on the assessment party, it can be said that the assessment of one person will be different from the assessment results of another. So that in performance assessment, most use financial aspects, and in general, many assume that the financial state will reflect the whole state (Fardilla, 2018).

According to , financial performance is an overview of the achievement or success of the implementation of a company's program in realizing the vision and mission of the organization. Meanwhile, it is argued that financial performance is a description of the company's success as a result of the activities or activities that have been carried out by the company. It can be explained that financial performance is an analysis to find out the extent of the success of a company in carrying out financial activities effectively and efficiently. (Wau et al., 2017) (Tumandung et al., 2017)

So financial performance is an overview of the work achievements obtained by the company in the financial sector in a certain period which can be described through the company's financial statements. The definition of a company's financial performance shows a fairly close relationship with the assessment of whether a company is healthy or not. The company's financial performance measures include the following ratios:

a. Liquidity Ratio
b. Activity Ratio
c. Solvency Ratio
d. Profitability Ratio
e. Market Ratio

2.4.1 Solvency Ratio

The solvency ratio or leverage ratio is a ratio used to measure the extent to which an asset is financed by debt. In other words, the solvency ratio is a ratio used to measure how much debt burden a company must bear in order to fulfill its assets. According to this ratio, it measures the company's ability to pay off all short-term debts and long-term debts using the company's capital or assets. In this study, the parameters used in the solvency ratio are as follows: (Strong, 2015) (Natan & Setiana, 2010)

a. *Debt to Equity Ratio*
   According is the ratio used to assess debt to equity. Find this ratio by comparing all debt, including current debt, with all equity. Long-term creditors generally prefer a small (Kasmir, 2016) *debt-to-equity ratio*. The smaller this ratio figure is, the greater the number of assets funded by the company owner and the greater the creditor risk buffer. The formula is as follows:

$$Debt\ to\ Equty\ Ratio = \frac{Total\ Hutang}{Total\ Modal}$$

2.4.2 Liquidity Ratio

Liquidity Ratio is a ratio that describes a company's ability to meet its short-term obligations. In other words, the liquidity ratio is a ratio that can be used to measure how far a company's ability to pay off its short-term obligations that will be due soon. (Strong, 2015)

According to "Liquidity (Kasmir, 2014) *ratio* is a ratio that describes or measures a company's ability to meet short-term liabilities (debt). This means that if the company

is billed, the company will be able to meet the debt, especially the debt that is due." Meanwhile, according to the definition of liquidity, it is an overview of a company's ability to fulfill short-term obligations smoothly and on time, so liquidity is often referred to as (Fahmi, 2012) *short-term liquidity*. From the above definition, it can be concluded that the liquidity ratio is a measure of a company's ability to meet short-term obligations smoothly and on time. If the company is billed, it will be able to meet the debt (pay), especially the debt that is due. In this study, the parameters used in the solvency ratio are as follows:

a. *Current Ratio* (CR)

Current Ratio is a ratio to describe a company's ability to pay its current debts due to the current assets it owns. In other words, the current ratio compares the company's total current assets with the total current assets owned. The formula for finding (Strong, 2015) *the current ratio* is as follows:

$$Current\ Ratio = \frac{Aktiva\ Lancar}{Kewajiban\ Lancar}$$

Companies with a current ratio above 1 are considered safe, because their current assets are able to cover all current liabilities. The higher the current ratio value, the better it is because it indicates the company's ability to close its current obligations, the better.

2.5 Conceptual Framework

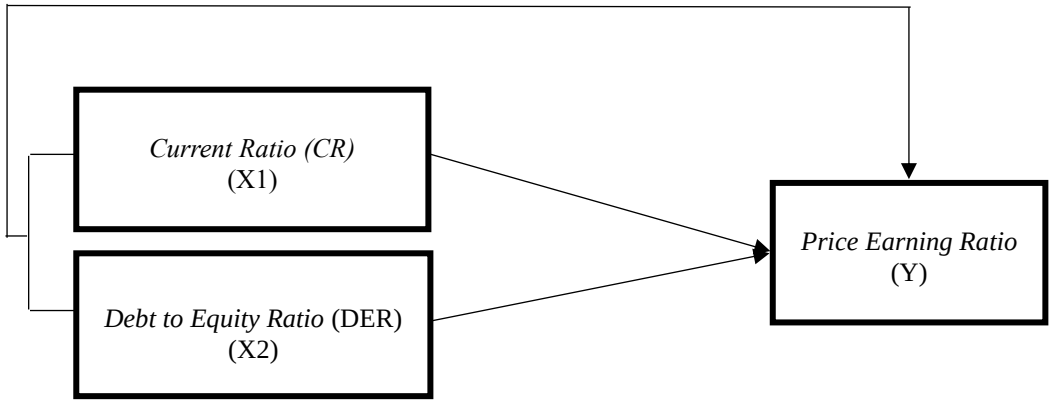

Image 1. Conceptual Framework
Source: Data Processed by the Author, (2026)

Methods

3.1 Research Approach

The research approach used in this study is associative. Associative research according to is a research question that asks the relationship between two or more variables. This type of research is a causal research with a quantitative approach, which is a research that aims to test theories, build facts, show the relationships between variables, provide statistical descriptions, draw and forecast results with the aim of finding out the influence between one variable and another. (Scott, 2018) (Scott, 2016)

3.2 Population and Sample

A population is a group of people, events or everything that has certain characteristics, while a sample is a part of the population that is used as a research object (Indriantoro and Supomo in Fardilla 2018).

The population in this study specializes in Banking Companies Listed on the Indonesia Stock Exchange with a research period from 2023 to 2025 as many as 46 companies.

A sample is a part of a population whose characteristics will be investigated and is considered to be representative of the entire population or a smaller number of the population. (Scott, 2016) The determination of the sample in this study is using *the purposive sampling* method, which is a sample used to estimate population characteristics based on certain criteria. The following are the criteria used by the researcher in determining the sample**,** as follows:

a. Banking companies listed on the Indonesia Stock Exchange.
b. Banking companies listed on the Indonesia Stock Exchange are *listed* for the 2023-2026 observation period.
c. Banking companies listed on the Indonesia Stock Exchange that have complete financial statements for the 2023-2026 observation period.

Companies meet the criteria for sample withdrawal, which is as many as 41 companies, the period taken from 2023 to 2026, which is 3 years. Thus, the number of N in this study is 41 x 3 = 123. The companies sampled can be seen in the Table, as follows:

Table 2. Research Sample Data

No.	Stock Code	Company Name
1.	AGRO	PT Bank Rakyat Indonesia Agro Niaga, Tbk
2.	AGRS	PT Bank IBK Indonesia, Tbk
3.	ART	PT Bank Artos Indonesia, Tbk
4.	BABP	PT Bank MNC International, Tbk
5.	READ	PT Bank Capital Indonesia, Tbk
6.	BBCA	PT Bank Central Asia, Tbk
7.	BBKP	PT Bank Bukopin, Tbk
8.	BBMD	PT Bank Mestika Dharma, Tbk
9.	BBNI	PT Bank Negara Indonesia, Tbk
10.	BBRI	PT Bank Rakyat Indonesia, Tbk
11.	BBTN	PT Bank Tabungan Negara, Tbk
12.	BBYB	PT Bank Yudha Bhakti, Tbk
13.	BCIC	PT Bank J Trust Indonesia, Tbk
14.	BDMN	PT Bank Danamon Indonesia, Tbk
15.	BEKS	PT Bank Pembangunan Daerah Banten, Tbk
16.	BGTG	PT Bank Ganesha, Tbk
17.	BUILD	PT Bank Ina Perdana, Tbk
18.	BJBR	PT Bank Pembangunan Daerah Jawa Barat, Tbk
19.	BJTM	PT Bank Pembangunan Daerah Jawa Timur, Tbk
20.	BKSW	PT Bank QNB Indonesia, Tbk
21.	BMAS	PT Bank Maspion Indonesia, Tbk
22.	BMRI	PT Bank Mandiri, Tbk
23.	BNBA	PT Bank Bumi Arta, Tbk
24.	BNGA	PT Bank CIMB Niaga, Tbk
25.	BNII	PT Bank Maybank Indonesia, Tbk
26.	BNLI	PT Bank Permata, Tbk
27.	BSIM	PT Bank Sinar Mas, Tbk
28.	BSWD	PT Bank of India Indonesia, Tbk
29.	BTPN	PT Bank Tabungan Pensiunan Nasional, Tbk
30.	BVIC	PT Bank Victoria International, Tbk
31.	DNAR	PT Bank Oke Indonesia, Tbk
32.	INPC	Copyright © 2019 Copyright © 2019 Copyright © 2019 Copyright © 2019 T

No.	Stock Code	Company Name
33.	MAYA	PT Bank Mayapada International, Tbk
35.	MCOR	PT Bank China Construction Bank Ind, Tbk
36.	MEGA	PT Bank Mega, Tbk
37.	NISP	PT Bank OCBC NISP, Tbk
38	NOBU	PT Bank Nationalnobu, Tbk
39.	PNBN	PT Bank Pan Indonesia, Tbk
40.	PNBS	PT Bank Panin Syariah, Tbk
41.	ARDRA	PT Bank Woori Saudara Indonesia 1906, Tbk

Source: www.idx.co.id (Data processed), 2026

3.3 Data Collection Techniques

The analysis method used in this study is to conduct a quantitative analysis expressed with numbers that in the calculation use a statistical method assisted by the statistical data management program E-Views v. 13 . The data analysis techniques used to analyze the data that have been collected in this study are as follows: (Ghozali, 2013)

1. Descriptive Statistical Analysis

Descriptive statistics are generally used to provide information about the research variables contained in a study. The descriptive analysis method is an analysis method where the data collected, classified, analyzed and interpreted the results so as to provide information and an overview of the topic to be discussed. Descriptive statistics provide an overview of the phenomenon or characteristics of the study.

2. Panel Data Model Selection

Panel data is data that is collected *cross-section* and followed over a specific period of time. The data panel is a combination of *cross section* and *time series* data, the number of observations is very large. Therefore, the method used to estimate the panel data regression model (*least squared pooled data*), there are three models that can be chosen, namely the Common Effect Model (CEM), the *Fixed Effect Model* and the *Random Effect Model*.

3. Chow Test (*Chow Test*)

To find out which *Pooled Least Square* (PLS) or *Fixed Effect Model* (FEM) model will be selected for data estimation, it can be done with the F-test or *Chow test*. *Pooled Least Square* (PLS) is a *restricted* model where it applies the same interception to all individuals. As we know, sometimes the assumption that each cross-section *unit* has the same behavior tends to be unrealistic considering that it is possible that each *cross-section unit* has different behavior. For this reason, *the Chow test* is used. The basis for rejecting the zero hypothesis is to use F-Statistics.

4. Hausman Test (*Hausman Test*)

This test is carried out to determine whether a *fixed effect* or *random effect* model is chosen. This test is carried out with the following hypothesis:

H0 : *Random Effect Model* (REM)

H1 : *Fixed Effect Model* (FEM)

The basis for the rejection of H0 is to use the Chi-Square statistical considerations. If the Chi-Square statistics > the Chi-Square Table then H0 is rejected, meaning that the model used is a *Fixed Effect Model* (FEM), and vice versa.

5. Lagrange Multiplier *Test*

The Lagrange Multiplier test is performed to find out if *the Random Effect Model* is better than *the Common Effect Model*. This test was carried out using *the Eviews* program. The provisions for the Lagrange Multiplier test are as follows:

a. If the *Breusch-food cross section* value > 0.05, H0 is accepted, so the most appropriate model to use is *the Common Effect Model.*
b. If the *value of the Breusch-food cross section* < 0.05, then H0 is rejected, so the appropriate model used is *the Random Effect Model (REM).*

6. Panel Data Regression Analysis

The test of the hypothesis in this study used the panel data regression analysis method. This analytical test is used to find out how independent variables affect dependent variables. The regression equations used are as follows:

$Y = \alpha + \beta1X1 + \beta2X2 + \varepsilon$

Description:

Y = Company Value as measured by *Price Earning Ratio* (PER)
α = Constant
β1 = Regression coefficient *Debt to Equity Ratio* (DER)
β2 = Regression coefficient *Current Ratio* (CR)
X1 = *Debt to Equity Ratio* (DER)
X2 = *Current Ratio* (CR)
ε = *Error Term*

7. Hypothesis Test

This hypothesis test was carried out to determine the influence between independent variables and dependent variables, either the regression coefficient test together (F-test) or the individual regression coefficient test (t-test). Next, a determination coefficient test (R2 Test) will be carried out to determine the level of accuracy of the estimate in regression analysis.

Result and Discussion

1. Descriptive Statistical Testing Analysis

Descriptive statistical analysis is used to determine the description of a data as seen from the maximum value, minimum value, mean value, and standard deviation value. In this study, the variables used in the calculation of descriptive statistics are DER, CR and PER. The results of the descriptive analysis can be seen in the Table, as follows:

Table 3. Descriptive Statistical Analysis

	THE ER	CR	BY
Red	1.973833	1.622583	1.341917
Median	2.100000	1.710000	1.130000
Maximum	3.800000	4.140000	6.120000
Minimum	0.100000	-2.900000	0.190000
Std. Dev.	0.673102	1.203417	0.909985
Observations	120	120	120

Source: EViews Software Results 10, 2026

Based on Table 3, it is known that the mean value of DER is 1.973833, the median value is 2.100000, the maximum value is 3.800000, the minimum value is 0.100000 and std. deviation of 0.673102. It is known that the mean value of CR is 1.622583, the median value is 1.710000, the maximum value is 4.140000, the minimum value is -2.900000 and std. deviation of 1.203417. It is known that the mean value of PER is 1.341917, the

median value is 1.130000, the maximum value is 6.120000, the minimum value is 0.190000 and std. deviation of 0.909985.

2. Model Data Panel

In the panel data regression model, testing must be carried out to select the right regression model used in this study. In conducting model testing, it can be done with 3 (three) alternative methods, namely methods with *common effect models*, *fixed effect models,* and *random effect models*. The following are the test results, as follows:

a. Testing Using *Common Effect Models*

Table 4. Results *Common Effect Models*

Dependent Variable: PER
Method: Panel Least Squares
Date: 07/30/26 Time: 14:24
Sample: 2023 2025
Periods included: 3
Cross-sections included: 30
Total panel (balanced) observations: 123

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.110543	0.307470	6.864216	0.0000
THE ER	0.533729	0.130652	-4.085112	0.0001
CR	0.008034	0.065521	0.000971	0.9992

R-squared	0.130097	Mean dependent var	1.341917
Adjusted R-squared	0.107600	S.D. dependent var	0.909985
S.E. of regression	0.859635	Akaike info criterion	2.568148
Sum squared resid	85.72080	Schwarz criterion	2.661064
Log likelihood	-150.0889	Hannan-Quinn crister.	2.605881
F-statistic	5.782740	Durbin-Watson stat	1.006878
Prob(F-statistic)	0.001014		

Source: EViews Software Results 10, 2026

Based on Table 4, in this estimation approach, the intercept and *slope* are fixed all the time and individually, the difference between *intercept* and *slope* is assumed to be explained by the interference variable (*error* or *residual*). From the regression results in the *common effect models*, it was found that the coefficient value in DER was 0.533729 and CR was 0.008034, with *R-squared* of 0.130097.

b. Testing Using *Fixed Effect Models*

Table 5. Results *Fixed Effect Models*

Dependent Variable: PER
Method: Panel Least Squares
Date: 07/30/26 Time: 15:19
Sample: 2023 2025
Periods included: 3
Cross-sections included: 30
Total panel (balanced) observations: 123

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.467111	0.334967	4.379867	0.0000
THE ER	0.291952	0.147890	1.974118	0.0415

CR	0.016831	0.063301	0.265890	0.0400

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.636652	Mean dependent var	1.341917
Adjusted R-squared	0.503007	S.D. dependent var	0.909985
S.E. of regression	0.641519	Akaike info criterion	2.178460
Sum squared resid	35.80455	Schwarz criterion	2.945021
Log likelihood	-97.70762	Hannan-Quinn crister.	2.489764
F-statistic	4.763746	Durbin-Watson stat	2.140482
Prob(F-statistic)	0.000000		

Source: EViews Software Results 10, 2026

Based on Table 5, in this estimation approach, neither individual dimensions nor time are considered. It is assumed that the probability value of each individual indicates that the DER and CR variables show significant. *Rsquared* shows 0.636652. As for the F-statistical probability value of 0.000000 which means that the model is significant.

c. Testing Using *Random Effect Models*

Table 6. Results *Random Effect Models*

Dependent Variable: PER
Method: Panel EGLS (Cross-section random effects)
Date: 07/30/26 Time: 15:29
Sample: 2023 2025
Periods included: 3
Cross-sections included: 30
Total panel (balanced) observations: 123
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.735948	0.314611	5.517767	0.0000
THE ER	-0.401101	0.128677	-3.117108	0.0023
CR	0.013035	0.058902	0.221297	0.8253

Effects Specification	S.D.	Rho
Cross-section random	0.591089	0.4592
Idiosyncratic random	0.641519	0.5408

Weighted Statistics			
R-squared	0.081333	Mean dependent var	0.640037
Adjusted R-squared	0.057574	S.D. dependent var	0.660596
S.E. of regression	0.641297	Sum squared resid	47.70641
F-statistic	3.423282	Durbin-Watson stat	1.671208
Prob(F-statistic)	0.019593		

Unweighted Statistics			
R-squared	0.116217	Mean dependent var	1.341917
Sum squared resid	87.08858	Durbin-Watson stat	0.915474

Source: EViews Software Results 10, 2026

Based on Table 6, in this estimation approach, it is assumed that the *Rsquared* value shows 0.116217. As for the F-statistical probability value of 0.019593 which means that the model is significant. Next, tests were carried out between *common effect models*

(CEM), *fixed effect models* (FEM), and *random effect models* (REM) to find out the most suitable model to use.

3. Panel Data Model Testing

a. Chow Test (*Chow Test*)

To determine whether *the estimation model is common effect models* (CEM) or *fixed effect models* (FEM) in forming a regression model, the Chow Test is used. The hypotheses tested are as follows:

Table 7. Chow Test Results

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

Effects Test	Statistic	D.F.	Prob.
Cross-section F	4.182395	(29,87)	0.0000
Cross-section Chi-square	104.762466	29	0.0000

Source: EViews Software Results 10, 2026

Based on Table 7, the results of the Chow Test are known to have a probability value of the Cross-section Chi-square is 0.000. Because the probability value is 0.000 < 0.05, the estimation model used is the *fixed effect models* (FEM) model.

b. Hausman Test (*Hausman Test*)

Table 8. Hausman Test Results

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	2.919827	3	0.0000

Source: EViews Software Results 10, 2026

Based on Table 8, the results of the Hausman Test are known to have a probability value of 0.000. Because the probability value is 0.000 < 0.05, the estimation model used is *the fixed effect models* (FEM) model.

4. Panel Data Regression Analysis

Linear Regression Analysis of Data Panel in this study used *the fixed effect models* (FEM) method. The selection of *the fixed effect models* (FEM) method as the panel data analysis method in this study was previously tested through the Chow Test and the Hausman Test first, so that finally the *fixed effect models* (FEM) method is the most appropriate to test the panel data in this study.

Table 9. Panel Data Regression Results

Dependent Variable: PER
Method: Panel Least Squares
Date: 07/30/26 Time: 15:19
Sample: 2023 2025
Periods included: 3

Cross-sections included: 30
Total panel (balanced) observations: 123

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.467111	0.334967	4.379867	0.0000
THE ER	0.291952	0.147890	1.974118	0.0415
CR	0.016831	0.063301	0.265890	0.0400

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.636652	Mean dependent var	1.341917
Adjusted R-squared	0.503007	S.D. dependent var	0.909985
S.E. of regression	0.641519	Akaike info criterion	2.178460
Sum squared resid	35.80455	Schwarz criterion	2.945021
Log likelihood	-97.70762	Hannan-Quinn crister.	2.489764
F-statistic	4.763746	Durbin-Watson stat	2.140482
Prob(F-statistic)	0.000000		

Source: EViews Software Results 10, 2026

Based on Table 9 above, regression equations can be obtained, as follows:
PER = 1.467111 + 0.291952 (DER) + 0.016831 (CR) + ε

The constant of 1.467111 means that if the DER and CR values are 0, then the PER value is 1.467111. The regression coefficient of the DER variable of 0.291952 means that every increase in DER by 1 unit will increase the PER by 0.291952 units, assuming that other independent variables have a fixed value. The regression coefficient of the CR variable is 0.016831 which means that every increase in CR by 1 unit will increase the PER by 0.016831 units, assuming other independent variables have a fixed value.

5. Hypothesis Testing Results

In hypothesis testing, a determination coefficient analysis, simultaneous influence testing (F test), and partial influence testing (t test) will be carried out. The statistical values of the determination coefficient, F-test, and t-test are presented in the Table, as follows:

Table 10. Hypothesis Test Results

Dependent Variable: PER
Method: Panel Least Squares
Date: 07/30/26 Time: 15:19
Sample: 2023 2025
Periods included: 3
Cross-sections included: 30
Total panel (balanced) observations: 123

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.467111	0.334967	4.379867	0.0000
THE ER	0.291952	0.147890	1.974118	0.0415
CR	0.016831	0.063301	0.265890	0.0400

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.636652	Mean dependent var	1.341917
Adjusted R-squared	0.503007	S.D. dependent var	0.909985

S.E. of regression	0.641519	Akaike info criterion	2.178460
Sum squared resid	35.80455	Schwarz criterion	2.945021
Log likelihood	-97.70762	Hannan-Quinn crister.	2.489764
F-statistic	4.763746	Durbin-Watson stat	2.140482
Prob(F-statistic)	0.000000		

Source: EViews Software Results 10, 2026

a. Partial Influence significance test (t-test)

Based on Table 10 above, it can be seen that the results of the t-test show that the DER variable has a positive effect on PER, with a regression coefficient value of 0.291952 and significant, with a probability value (Prob) = 0.0415 < 0.05. It is known that the CR variable has a positive effect on PER, with a regression coefficient value of 0.016831 and significant, with a probability value (Prob) = 0.0400 < 0.05.

b. Simultaneous Effect Significance Test (F Test)

The F test aims to test the influence of independent variables together or simultaneously on non-free variables. Based on Table 10, it is known that the *value of Prob. (F-statistics)*, which is 0.000000 0.05, then it can be concluded that all independent and intervening variables, namely DER and CR simultaneously, have a significant effect on the PER variable.<

c. Determination Coefficient Analysis (R2)

Based on Table 10, it is known that the value of the determination coefficient (*R-squared*) is . This value can be interpreted as DER and CR affect the PER by 63.67%, the remaining 36.33% is influenced by other factors.$R^2 = 0.636652$

Conclusion

Banking companies listed on the Indonesia Stock Exchange should pay close attention to and manage the debt-to-equity ratio. The company's management must ensure that the use of debt is balanced and in accordance with the company's ability to manage financial risks. Measures to reduce excessive debt or improve capital structure can help increase a company's value.

Banking companies should continue to pay attention and keep their current ratios within a healthy range. This can include efficient inventory management, good cash management, and careful accounts receivable management. By maintaining a healthy current ratio, the company can increase investor confidence and strengthen its financial position.

Banking companies should pay attention to the relationship between the debt-to-equity ratio and the value of the company. It is important to understand the impact of debt policy on financial performance. Measures to ensure sustainability and optimize the capital structure can help increase the overall value of the company.

Banking companies should still pay attention to the relationship between the current ratio and the company's value, even if it is not significant. It is important to understand the factors that affect this relationship and consider the right strategy to maximize the company's value in the long run. Measures to improve profit management and optimize corporate liquidity management still need to be considered.

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