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Liquidity, Profitability, and Cash Holding on Firm Value in the Bank Sub-Industry

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Abstract: This study aims to analyze the effect of Liquidity, Profitability, and Cash Holding on Firm Value in the banking sub-industry listed on the Indonesia Stock Exchange (BEI) for the 2019-2023 period. Independent variables in this study include Liquidity as measured by Loan to Deposit Ratio (LDR), Profitability as measured by Return on Equity (ROE), and Cash Holding as measured by Cash & Cash Equivalents to Total Assets. Meanwhile, Firm Value as the dependent variable is measured by Tobin's Q ratio. The research method used is a quantitative approach with secondary data obtained from the financial statements of banking companies listed on the IDX during the study period. The data analysis technique used is panel data regression with statistical software to test the relationship between variables. The results showed that Liquidity has an insignificant positive effect on Firm Value. Profitability also has an insignificant positive effect on Firm Value, which indicates that an increase in company profits has an impact on increasing investor confidence. Meanwhile, Cash Holding has a significant positive effect on Firm Value, which indicates that companies that hold large amounts of cash tend to have lower firm value, because investors prefer companies that allocate their cash for productive investment.

Keywords: Liquidity, Profitability, Cash Holding, Firm Value, Banking.

INTRODUCTION

The company is one of the organizations that has an important role in supporting the economic growth of a country and expanding employment opportunities for the community. Indonesia with a large population and abundant natural resources has a great opportunity to become one of the world's economic powers. In carrying out its business activities, the company faces various internal and external challenges that affect the continuity of the company's development and growth. One of the company's main targets is to increase the company's value through achievements that reflect its financial and operational performance. The high value of the company indicates financial stability and investor confidence in the company's future prospects.

The Indonesia Stock Exchange (IDX) is a capital market for various long-term financial instruments that can be traded, either in debt or in equity, the Indonesia Stock Exchange (IDX)

plays a major role in the economy. Company value is a certain condition that has been achieved by a company as an illustration of investor confidence in the company after going through a business process for several years, starting with the establishment of the company until now (Hery, 2017). Based on this understanding, it can be concluded that company value is a picture of investor confidence in a company.

Firm value is measured using the Tobin's Q formula because it is a simple indicator for measuring the increase or decrease in the value of a company. The scorecard of Tobin's Q is Q>1 overvalued, Q < 1 undervalued, Q =1 Average (Indriani, 2019).

Tabel 1. Rata-rata Nilai Perusahaan Sub Industri Bank Tahun 2019-2023

No	Nama Perusahaan	Kode Emiten	Tahun				
			2019	2020	2021	2022	2023
1.	Bank Mandiri (Persero) Tbk.	BMRI	1,00	0,96	0,96	1,01	1,02
2.	Bank Rakyat Indonesia (Persero) Tbk.	BBRI	1,24	1,21	1,20	1,24	1,28
3.	Bank Central Asia Tbk.	BBCA	0,83	0,86	0,86	0,86	0,85
4.	Bank Negara Indonesia (Persero) Tbk.	BBNI	0,99	1,01	1,00	1,03	1,04
5.	Bank Tabungan Negara (Persero) Tbk.	BBTN	0,94	0,94	0,93	0,92	0,91
6.	Bank CIMB Niaga Tbk.	BNGA	0,93	0,94	0,94	0,93	0,98
7.	Bank Permata Tbk.	BNLI	1,07	1,27	1,08	1,00	0,97
8.	Bank OCBC NISP Tbk.	NISP	0,95	0,95	0,92	0,93	0,96
9.	Bank Pan Indonesia Tbk.	PNBN	0,94	0,90	0,85	0,94	0,89
10.	Bank Danamon Indonesia Tbk.	BDMN	0,77	0,78	0,77	0,76	0,77
	Total		9,65	9,82	9,50	9,61	9,69
	Rata-Rata		0,97	0,98	0,95	0,96	0,97
	Tertinggi		1,24	1,27	1,20	1,24	1,28
	Terendah		0,77	0,78	0,77	0,76	0,77

Source : www.idx.co.id and processed

Based on the data in the table, it can be seen that the average company value for 5 years has fluctuated from 2019-2023, but in 2022 and 2023 the average company value has increased again. Some of the factors that are thought to affect Firm Value are Liquidity, Profitability, and Cash Holding. The first factor that is thought to affect Firm Value is Liquidity. According to (Fahmi, 2017) liquidity is a ratio that is the ability of a company to fulfill its short-term obligations in a timely manner. This ratio is a very important ratio in a company, because if the company fails to meet its short-term obligations it will cause a decrease in company value or reduce investor interest in buying shares in the company. The higher the liquidity value, the more investor confidence increases and creates added value for the company, while liquidity that has a low value can result in a decrease in company value.

The second factor is Profitability. Profitability reflects a measure of a company's financial performance that describes the company's ability to generate profits or profits from its operations. The relationship between profitability and firm value is very important in financial analysis, because profitability is a key factor that influences investors' and shareholders' assessments of the company's health and growth potential. Profitability ratio is a ratio that can measure the level of the company's ability to generate finance at the level of sales, assets, certain share capital (Nugroho & Arifin, 2022). In this study, the profitability factor is measured by Return on Equity (ROE). A high Return on Equity (ROE) reflects efficient management and can increase investor confidence in the company's ability to generate good profits.

The last factor is Cash Holding. According to (Setyowati, 2016) cash holding is defined as cash on hand or available for investment in the form of physical assets and for distribution to investors. According to (Sugeng, 2017), Cash Holding is the amount of cash owned by the company and cash equivalents that can be easily converted as cash. Cash holding is intended to pay off debt, finance the company's needs, make investments, as a reserve of company assets when the company's condition is unstable, and so on.

METHODS

The type of research used in this study is quantitative research. Quantitative research uses objects to collect numerical data, test established hypotheses, and produce a deep understanding of phenomena through statistical analysis. According to (Arikunto, 2013) the data source is the subject from which the data we need for research can be obtained. The data source used in this research is secondary data. Secondary data is a data source that directly provides data to data collectors, for example through other people or through documents (Sugiyono, 2019). Secondary data that supports research is obtained directly from the official website of the Indonesia Stock Exchange (IDX) and the official website of banking companies in Indonesia listed on the Indonesia Stock Exchange (IDX).

The object of this research is banking companies listed on the Indonesia Stock Exchange in 2019-2023. The method used from non-random sampling technique is purposive sampling method, which is a sampling technique where the sample is taken according to predetermined criteria in accordance with the research objectives. The number of banking companies listed on the Indonesia Stock Exchange (IDX) from 2019-2023 is 47 companies. The criteria used for this research sample are as follows:

Tabel 2. Kriteria Pemilihan Sampel pada Perusahaan Sub Industri Bank

No.	Criteria	Number of Companies
1.	Banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the research period, namely 2019-2023.	47
2.	Banking sub-sector companies that conduct *Initial Public Offering* (IPO) on the Indonesia Stock Exchange in the research period, namely 2019- 2023	(5)
3.	Banking sub-sector companies that are not in the top 10 of their total assets in 2023 of at least IDR 220,000,000,000,000,000	(32)
4.	Companies in the banking sub-sector that are in the top 10 in terms of total assets in 2023	10
	Sample Quantity	**10**
	5 Years Research Period (5x10)	**50**

Source: Data processed by the author

Based on the data that has been obtained, banking companies that have met the criteria in this study are 10 companies with a research period of 5 years, so that the total sample used is 50. According to (Basuki & Purwanto, 2016), panel data is a combination of time series data and cross section data. While time series data is data consisting of one or more variables that will be observed in one observation unit within a certain period of time. Meanwhile, cross section data is observation data consisting of several observation units at one point in time.

This panel data regression test is used to determine the relationship between the independent variables consisting of Liquidity, Profitability, and Cash Holding on the dependent variable Firm Value. This study uses EViews 10 software in estimating the panel regression model. The following is a general model of panel data equation which is a combination of cross section data and time series data can be written as follows:

$Y = \alpha + \beta 1X\ 1 + \beta(2)X\ 2 + \beta 3X(3) +$

Description:

Y : Firm Value

α : Constan

β1-β3 : Coefficient of X
X1 : Liquidity
X2 : Profitability
X3 : Cash Holding
ε : Error

RESULTS AND DISCUSSION

Tabel 3. Hasil Statistik Deskriptif

	LDR	ROE	CH	TOBINS
Mean	0.870997	0.104915	0.110202	0.965486
Median	0.869991	0.107285	0.105592	0.942370
Maximum	1.236434	0.211077	0.224953	1.280510
Minimum	0.622275	0.008779	0.043071	0.760191
Std. Dev.	0.126770	0.051551	0.037290	0.126980
Skewness	0.086089	0.126892	0.644619	0.826616
Kurtosis	3.149553	2.159015	3.540492	3.548922
Jarque-Bera	0.108357	1.607628	4.071392	6.321852
Probability	0.947263	0.447618	0.130590	0.042386
Sum	43.54986	5.245743	5.510113	48.27429
Sum Sq. Dev.	0.787458	0.130218	0.068135	0.790067
Observations	50	50	50	50

Source: EViews 10 (Data Processed)

The results of descriptive statistical analysis show that banking companies on the IDX for the 2019-2023 period have an average Loan to Deposit Ratio (LDR) of 87.1%, indicating that the proportion of funds channeled in the form of credit is relatively high with small variations. Return on Equity (ROE) averages 10.49%, indicating fairly good profitability with normal data distribution. Cash Holding (CH) averages 11.02%, reflecting a fairly stable level of liquidity between companies, although there are some banks with higher cash. Firm value (Tobin's Q) averages 0.97, indicating that most firms have a market valuation almost equivalent to the value of their assets. The normality test shows that LDR and ROE are normally distributed, while CH and Tobin's Q are slightly skewed to the right but still within reasonable limits. The small standard deviations indicate that the differences between companies in the sample are not too large. In conclusion, the banking sector in this period shows stability in key financial ratios, with an indication that high cash holding can play a role in maintaining firm value.

Tabel 4. Hasil Uji Multikolinearitas

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LDR	0.018947	5.346148	1.087281
ROE	0.105940	5.254243	1.005324
CH	0.217935	1.072601	1.082114
C	0.022536	8.211346	NA

Source: EViews 10 (Data Processed)

Multicollinearity test is done by looking at the VIF value of each variable. The regression model is declared free from multicollinearity cases if the VIF value of each variable

is <10. The multicollinearity test results in table 4 show that all variables have a VIF value <10, which means that the regression model is free from multicollinearity cases.

Tabel 5. Hasil Uji Heteroskedastisitas

Heteroskedasticity Test: Glejser			
F-statistic	0.435498	Prob. F(3,46)	0.7286
Obs*R-squared	1.380883	Prob. Chi-Square(3)	0.7100
Scaled explained SS	1.568464	Prob. Chi-Square(3)	0.6666

Source: EViews 10 (Data Processed)

Tabel 6. Hasil Regresi Data Panel

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.132406	0.099151	1.335396	0.1883
LDR	-0.078904	0.090915	-0.867895	0.3900
ROE	0.093404	0.214978	0.434484	0.6660
CH	0.090293	0.308338	0.292837	0.7710

Source: EViews 10 (Data Processed)

Heteroscedasticity test is carried out using the Glejser test in this test the model is declared to contain heteroscedasticity if the probability of Obs * R-squared <0.05, if the probability of Obs * R-squared> 0.05 then it is stated that the model does not have heteroscedasticity problems. The results of the Heteroscedasticity Test using the glejser test can be seen in table 5. From tables 5 and 6 above show the results of panel data regression using EViews 10, then obtained the regression equation as follows:

TOBINSQ = 0.625719 + 0.150262LDR + 0.458609ROE + 0.458892CH

The coefficients of the regression equation above can be interpreted as follows:

a) α = 0.625719 means that if the value of X (Loan to Deposit Ratio, Return on Equity, and Cash Holding) = 0 (zero), then the value of Y (Tobin's Q) will show a level of 0.625719 or in other words if there is no Loan to Deposit Ratio, Return on Equity, and Cash Holding, then Tobin's Q is 0.625719.

b) β_1 = 0.150262 shows that the regression coefficient value of the Liquidity variable (Loan to Deposit Ratio) has a positive regression direction, meaning that every one point increase in the X1 Liquidity value (Loan to Deposit Ratio), the Y value of Firm Value (Tobin's Q) will increase by 0.150262 points.

c) β_2 = 0.458609 shows that the regression coefficient value of the Profitability (Return on Equity) variable has a positive regression direction, meaning that every one point increase in the X2 Profitability (Return on Equity) value, the Y Company Value (Tobin's Q) value will increase by 0.458609 points.

d) β_3 = 0.458892 shows that the regression coefficient value of the Cash Holding variable has a positive regression direction, meaning that every one point increase in the X3 Cash Holding value, the Y value of Company Value (Tobin's Q) will increase by 0.458892 points.

Tabel 7. Hasil Uji T

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.625720	0.150119	4.168168	0.0001
LDR	0.150262	0.137648	1.091644	0.2807

ROE	0.458609	0.325484	1.409007	0.1656
CH	1.458893	0.466835	3.125073	0.0031

R-squared	0.201052	Mean dependent var	0.965486
Adjusted R-squared	0.148946	S.D. dependent var	0.126980
S.E. of regression	0.117142	Akaike info criterion	-1.374243
Sum squared resid	0.631222	Schwarz criterion	-1.221281
Log likelihood	38.35607	Hannan-Quinn criter.	-1.315994
F-statistic	3.858562	Durbin-Watson stat	0.509261
Prob(F-statistic)	0.015214		

Source: EViews 10 (Data Processed)

a) The Effect of Liquidity (Loan to Deposit Ratio) on Firm Value (Tobin's Q)

Table 7 shows the results of the panel data regression analysis test with the Random Effect Model estimation with the t-count result of the independent variable of 1.091644. while the t- table value with a = 5% and df = (n-k-1). Df = 45 where the t-table value is 1.67943, meaning that the calculated t value is smaller than the t table value, namely 1.091644 < 1.67943. The probability value is 0.2807> 0.05, so Ho is accepted and rejects Ha, meaning that Liquidity (Loan to Deposit Ratio) has a positive and insignificant effect on Firm Value (Tobin's Q).

b) Effect of Profitability (Return on Equity) on Company Value (Tobin's Q)

Table 7 shows the results of the panel data regression analysis test with the Random Effect Model estimation with the t-count result of the independent variable of 1.409007. while the t- table value with a = 5% and df = (n-k-1). Df = 45 where the t-table value is 1.67943, meaning that the calculated t value is smaller than the t table value, namely 1.409007 < 1.67943. The probability value is 0.1656> 0.05, so Ho is accepted and rejects Ha, meaning that Profitability (Return on Equity) has a positive and insignificant effect on Firm Value (Tobin's Q).

c) Effect of Cash Holding on Company Value (Tobin's Q)

Table 7 shows the results of the panel data regression analysis test with the Random Effect Model estimation with the t-count result of the independent variable of 3.125073. while the t- table value with a = 5% and df = (n-k-1). Df = 45 where the t-table value is 1.67943, meaning that the calculated t value is smaller than the t table value, namely 3.125073> 1.67943. The probability value of 0.0031 <0.05, so Ho is rejected and accepts Ha, meaning that Profitability (Return on Equity) has a positive and significant effect on Firm Value (Tobin's Q).

CONCLUSION

Based on data analysis and discussion that has been carried out with using the panel data regression analysis method using Eviews software version 10.0, the following conclusions can be drawn: Liquidity has a positive and insignificant effect on Company Value in Bank Sub-Industry companies listed on the Indonesia Stock Exchange for the 2019-2023 Period, Profitability has a positive and insignificant effect on Company Value in Bank Sub-Industry companies listed on the Indonesia Stock Exchange for the 2019-2023 Period, and Cash Holding has a positive and significant effect on Company Value in Bank Sub-Industry companies listed on the Indonesia Stock Exchange for the 2019-2023 Period.

This study has limitations in terms of the time (period) studied, namely only from 2019-2023 and this study also only uses three variables which are thought to have an influence on Company Value (Tobin's Q), namely Liquidity (Loan to Deposit Ratio), Profitability (Return on Equity) and Cash Holding while there are still many other factors not used in this study which are thought to have an influence on Company Value.

So, the suggestions that can be given are that the period carried out in further research can be extended so that the data obtained is more representative, the company can consider using debt more carefully and optimize funding by considering other alternatives, for further researchers to conduct research on other factors or can also add them, such as Cash Flow, Activity, Company Size and other variables, and finally, further research is expected to analyze Company Value in other sectors listed on the Indonesia Stock Exchange.

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