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The Effect of Liquidity, Firm Size, and Profitability on Firm Value: Evidence from Banking Companies Listed on the Indonesia Stock Exchange (IDX), 2019–2024

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ABSTRACT

This study was conducted on banking sector companies listed on the the Indonesia Stock Exchange for the 2019–2024 period. The research method used was a quantitative approach with an explanatory research design to analyze the effect of liquidity, firm size, and profitability on firm value. The sample consisted of banking companies selected using a purposive sampling technique based on predetermined criteria. The data used were secondary data obtained from the annual financial reports of the companies. Liquidity was measured using the Current Ratio (CR), firm size was measured using the natural logarithm of total assets, profitability was measured using Return on Assets (ROA), and firm value was measured using Price to Book Value (PBV). Data analysis was carried out using multiple linear regression analysis supported by classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The results indicated that liquidity, firm size, and profitability have an effect on firm value in banking sector companies listed on the Indonesia Stock Exchange during the 2019–2024 period.

Keywords: Banking Sector; Firm Size; Firm Value; Liquidity; Profitability.

1. INTRODUCTION

The banking sector has an important role in supporting economic growth and maintaining national financial stability. Banking companies act as financial intermediaries that collect funds from the public and redistribute them in the form of credit and other financial services. Along with the increasingly competitive business environment, banking companies are required to maintain and improve firm value in order to attract investors and sustain business continuity. Firm value is considered an important indicator because it reflects the market's assessment of the company's performance and future prospects.

Several factors are believed to influence firm value, including liquidity, firm size, and profitability. Liquidity describes a company's ability to fulfill its short-term obligations using its current assets. Companies with good liquidity conditions are generally considered more capable of managing their operational activities effectively and maintaining financial stability. This condition can increase investor confidence in the company.

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Firm size is also considered one of the factors affecting firm value. Large companies usually have greater assets, stronger operational capabilities, and easier access to external funding sources. In addition, companies with larger scales tend to have more stable financial conditions and better opportunities to expand their business activities. Therefore, investors often perceive large companies as having lower levels of risk and better long-term prospects.

Profitability is another important factor related to firm value. Profitability reflects the company's ability to generate profits through its operational activities. Higher profitability indicates better company performance in utilizing its resources efficiently. Companies that consistently generate profits tend to attract investors because they are considered capable of providing returns and maintaining business sustainability.

Several previous studies have examined the effect of liquidity, firm size, and profitability on firm value in the banking sector. Research conducted by Delpyana et al. (2024) stated that profitability has a positive effect on firm value, while firm size has a negative effect. Research by Ni Ketut Ceria Dewi and Wayan Widnyana (2024) found that profitability has a positive and significant effect on firm value, while liquidity has a positive but insignificant effect. In addition, Ayu et al. (2025) explained that firm size has a positive influence on firm value. However, the results of previous studies still show inconsistencies regarding the influence of these variables on firm value.

Based on the differences in findings from previous studies, further research is needed to obtain more comprehensive empirical evidence regarding the effect of liquidity, firm size, and profitability on firm value. Therefore, this study aims to analyze the influence of liquidity, firm size, and profitability on firm value in banking sector companies listed on the Indonesia Stock Exchange during the 2019–2024 period. This research is expected to provide benefits for companies, investors, and future researchers in understanding factors that influence firm value in the banking sector.

1.1 Theoretical basis and Hypotesis development

1.1.1 Liquidity

Liquidity refers to a company's capability to fulfill its short-term financial obligations by utilizing its current assets. In the banking sector, liquidity is considered an essential aspect

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because it reflects how well a company can maintain operational stability and meet liabilities that mature in the near future. Companies with adequate liquidity are generally able to manage their operations more effectively and avoid financial difficulties.

According to Hery (2020), liquidity ratios are used to evaluate the extent to which a company can settle its short-term liabilities on time. A company is categorized as liquid when it has sufficient current assets that can quickly be converted into cash to pay its obligations. On the other hand, companies with poor liquidity may encounter challenges in maintaining smooth operational activities.

This study uses the Current Ratio (CR) as the indicator of liquidity. The Current Ratio compares total current assets with total current liabilities to determine the company's ability to cover short-term debts. The ratio is widely used in financial analysis because it provides a simple and clear measurement of liquidity performance (Anisa & Febyansyah, 2024).

1.1.2 Firm Size

Firm size describes the scale or magnitude of a company's operations. It reflects the company's overall capacity in conducting business activities and managing resources. A larger company usually has greater assets, broader market access, and stronger financial capabilities compared to smaller companies.

Several indicators can be used to measure firm size, including total assets, total sales, market capitalization, and number of employees. In this research, firm size is measured by total assets because assets represent the company's operational strength and investment capacity. According to Siahaan (2025), total assets are commonly transformed into natural logarithm form to simplify data analysis and reduce extreme value differences among companies. The formula used to measure firm size is:

Firm Size=Ln (Total Assets)

Companies with larger sizes are often viewed more positively by investors because they are considered more stable and capable of surviving economic uncertainty. Therefore, firm size is frequently associated with higher company value and stronger investor confidence.

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1.1.3 Profitability

Profitability is the company's ability to generate earnings from its business activities. It indicates how efficiently management utilizes company resources to produce profits. In the banking industry, profitability is one of the most important indicators used to assess financial performance and operational success.

According to Hery (2020), profitability ratios are designed to measure a company's effectiveness in earning profits during a specific period. A higher profitability level shows that the company is more successful in managing its assets, capital, and operational activities. Companies with strong profitability are also more attractive to investors because they are expected to provide better returns in the future.

This study uses Return on Assets (ROA) as the indicator of profitability. ROA measures the company's ability to generate net income from its total assets. Uli Wildan Nuryanto et al. (2020) explained that ROA is important in the banking sector because it reflects the effectiveness of asset utilization in producing profits. The higher the ROA value, the more efficient the company is in using its assets to generate earnings. The formula used to calculate ROA is:

Return on Assets (ROA) =(Net Income)/(Total Assets)

1.1.4 Firm Value

Firm value represents the market's perception of a company's overall performance and future prospects. It is an important indicator because it reflects the level of investor confidence in the company. A high firm value generally indicates that investors believe the company has good financial performance and promising growth opportunities.

According to Anggriyanti (2025), firm value is closely related to shareholder wealth because an increase in company value can improve the prosperity of shareholders. Companies with high stock prices are usually considered to have stronger market credibility and better business prospects.

In this study, firm value is measured using Price to Book Value (PBV). PBV compares the market price of shares with their book value. Ningrum (2022) stated that a higher PBV ratio

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indicates greater investor interest in the company's shares because the market values the company above its accounting value. The formula for PBV is:

Price to Book Value (PBV) =(Martket Price per Share)/(Book Value per Share)

1.1.5 Hypotesis Development

Liquidity and Firm Value

Liquidity has an important role in influencing firm value because it reflects the company's ability to manage short-term obligations effectively. Companies with good liquidity are generally viewed as financially healthy and capable of maintaining operational stability. This condition can increase investor confidence and encourage higher demand for company shares, which eventually increases firm value (Rossa, 2023).

However, excessively high liquidity may also indicate inefficient asset management because too much cash or idle current assets may reduce opportunities to generate profits. Therefore, companies need to maintain liquidity at an optimal level to support operational effectiveness and investor trust.

Firm Size and Firm Value

Firm size is often associated with stronger financial conditions and easier access to external financing. Larger companies tend to have more stable earnings and broader market recognition, making them more attractive to investors. According to Rossa (2023), increasing company assets can improve investor confidence and positively influence firm value.

Research conducted by Yamin et al. (2025) and Riska et al. (2024) also found that firm size has a positive effect on firm value because large companies are considered more capable of facing economic risks and maintaining business continuity.

Profitability and Firm Value

Profitability is one of the main factors that affect firm value because it demonstrates the company's ability to generate profits from its operations. Companies with high profitability are more likely to attract investors since they are expected to provide higher returns.

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Delpyana et al. (2024) explained that profitability is a fundamental consideration for investors when making investment decisions. Likewise, Rossa (2023) stated that companies with good profitability generally have better future prospects, which can increase market confidence and raise firm value.

2. RESEARCH METHOD

This study employed a quantitative approach with explanatory research to analyze the causal relationship between liquidity, firm size, profitability, and firm value. The research was conducted on banking sector companies listed on the Indonesia Stock Exchange during the 2019–2024 period. The sampling technique used was purposive sampling based on predetermined criteria, resulting in selected banking companies as the research sample. The data used in this study were secondary data obtained from the companies' annual financial reports published through the Indonesia Stock Exchange and the official websites of the companies.

The independent variables in this study consisted of liquidity, firm size, and profitability. Liquidity was measured using the Current Ratio (CR), firm size was measured using the natural logarithm of total assets, and profitability was measured using Return on Assets (ROA). Meanwhile, the dependent variable was firm value measured using Price to Book Value (PBV).

The data analysis technique used descriptive statistical analysis, classical assumption tests consisting of normality, multicollinearity, heteroscedasticity, and autocorrelation tests, as well as multiple linear regression analysis to examine the effect of liquidity, firm size, and profitability on firm value. Hypothesis testing was carried out using the coefficient of determination (R^2), t-test, and F-test to determine the partial and simultaneous effects of the independent variables on the dependent variable.

3. RESULTS AND DISCUSSION

3.1 Research Results

3.1.1 Overview of the Research Object

This study was carried out on banking companies listed on the Indonesia Stock Exchange during the 2019–2024 period. The banking sector was chosen because it has a significant

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contribution to economic growth and financial system stability in Indonesia. In addition, banking companies are closely related to liquidity management, asset growth, profitability performance, and market valuation.

The research used secondary data obtained from annual reports and financial statements published through the official platform of the Indonesia Stock Exchange. The analysis focused on examining the influence of liquidity, firm size, and profitability on firm value. The variables examined in this study include:

1) Liquidity, measured by Current Ratio (CR).
2) Firm Size, measured using the natural logarithm of total assets.
3) Profitability, measured by Return on Assets (ROA).
4) Firm Value, measured by Price to Book Value (PBV).

Table 1. Research Sample

No	Code Bank	Bank Name
1	BBCA	Bank Central Asia, Tbk
2	BBRI	Bank Rakyat Indonesia (Persero), Tbk
3	BMRI	Bank Mandiri (Persero), Tbk
4	BBNI	Bank Negara Indonesia (Persero), Tbk
5	BDMN	Bank Danamon Indonesia, Tbk
6	BNGA	Bank CIMB Niaga, Tbk
7	BNII	Bank Maybank Indonesia, Tbk
8	BNLI	Bank Permata, Tbk
9	BJBR	Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk
10	BJTM	Bank Pembangunan Daerah Jawa Timur, Tbk
11	BBMD	Bank Mestika Dharma, Tbk
12	BINA	Bank Ina Perdana, Tbk
13	BGTG	Bank Ganesha, Tbk
14	BNBA	Bank Bumi Arta, Tbk
15	BBTN	Bank Tabungan Negara (Persero), Tbk
16	BMAS	Bank Maspion Indonesia, Tbk

3.1.2 Description of Research Variables

a. Liquidity

Liquidity reflects the company's ability to meet short-term obligations using current assets. In this study, liquidity is measured using the Current Ratio (CR). A higher CR value indicates that the company has sufficient current assets to cover current liabilities.

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Banking companies with stable liquidity conditions are generally considered capable of maintaining operational continuity and reducing financial risk. However, excessively high liquidity may also indicate inefficient use of assets because some funds are not allocated productively.

Tabel 2. Liquidity Calculation Data

No	Bank	2019	2020	2021	2022	2023	2024
1.	BBCA	1,241	1,207	1,204	1,209	1,216	1,230
2.	BBRI	1,197	1,182	1,210	1,194	1,191	1,193
3.	BMRI	1,285	1,254	1,150	1,157	1,309	1,304
4.	BBNI	1,228	1,194	1,150	12,285	1,166	1,173
5.	BDMN	1,306	1,276	1,307	1,315	1,291	1,272
6.	BNGA	1,187	1,171	1,162	1,173	1,173	1,173
7.	BNII	1,187	1,186	1,206	1,224	1,218	1,188
8.	BNLI	1,174	1,154	1,185	1,172	1,183	1,196
9.	BJBR	1,166	1,148	1,147	1,146	1,151	1,156
10.	BJTM	1,133	1,135	1,145	1,148	1,162	1,335
11.	BBMD	1,369	1,394	1,366	1,378	1,397	1,486
12.	BINA	1,302	1,168	1,187	1,190	1,170	1,173
13.	BGTG	1,310	1,269	1,334	1,538	1,526	1,498
14.	BNBA	1,250	1,246	1,349	1,599	1,641	1,638
15.	BBTN	1,157	1,123	1,134	1,129	1,074	1,151
16.	BMAS	1,193	1,145	1,033	1,193	1,454	1,407

b. Firm Size

Firm size describes the scale of company operations and resources owned by the company. This study uses the natural logarithm of total assets to measure firm size. Companies with larger assets are often viewed as more stable and financially stronger. Large firms also tend to have easier access to external financing and investment opportunities, which can improve investor confidence.

Tabel 3. Firm Size Calculation Data

No	Bank	2019	2020	2021	2022	2023	2024
1.	BBCA	20,64	20,80	20,93	21,00	21,07	21,09
2.	BBRI	21,07	21,14	21,24	21,35	21,40	21,41
3.	BMRI	21.00	21.04	20,69	20,75	21,50	21,41
4.	BBNI	20,56	20,61	20,69	23,11	20,81	20,85
5.	BDMN	19,08	19,12	19,07	19,10	19,21	19,31
6.	BNGA	19,43	19,45	19,55	19,54	19,63	19,70
7.	BNII	18,94	18,97	18,94	18,90	18,96	19,10

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8.	BNLI	18,90	19,05	19,27	19,36	19,37	19,37
9.	BJBR	18,63	18,76	18,88	19,02	19,05	19,21
10.	BJTM	18,16	18,24	18,43	18,45	18,46	18,59
11.	BBMD	16,37	16,47	16,59	16,62	16,59	16,62
12.	BINA	15,48	15,95	16,53	16,84	17,01	17,01
13.	BGTG	15,39	15,50	15,96	16,01	16,06	16,15
14.	BNBA	15,84	15,85	15,97	15,92	15,89	15,92
15.	BBTN	19,56	19,70	19,73	`19,72	19,90	19,97
16.	BMAS	15,84	16,13	16,40	16,45	16,74	16,92

c. Profitability

Profitability indicates the company's ability to generate profits from operational activities. In this research, profitability is measured using Return on Assets (ROA). A higher ROA value shows that the company is more effective in utilizing assets to produce earnings. Companies with strong profitability performance are generally more attractive to investors because they are considered capable of providing better returns.

Tabel 4. Profitability Calculation Data

No	Bank	2019	2020	2021	2022	2023	2024
1.	BBCA	0,031	0,025	0,025	0,030	0,034	0,037
2.	BBRI	0,024	0,012	0,018	0,027	0,030	0,030
3.	BMRI	0,021	0,012	0,031	0,043	0,043	0,027
4.	BBNI	0,018	0.003	0,011	0,017	0,019	0,019
5.	BDMN	0,021	0,005	0,008	0,017	0,016	0,013
6.	BNGA	0,013	0,007	0,013	0,016	0,019	0,019
7.	BNII	0,011	0,007	0,010	0,009	0,010	0,006
8.	BNLI	0,009	0,003	0,005	0,007	0,010	0,013
9.	BJBR	0,012	0,011	0,012	0,012	0,008	0,006
10.	BJTM	0,017	0,017	0,015	0,014	0,014	0,010
11.	BBMD	0,019	0,023	0,032	0,031	0,025	0,024
12.	BINA	0,001	0,002	0,002	0,007	0,008	0,003
13.	BGTG	0,002	0,000	0,001	0,005	0,011	0,019
14.	BNBA	0,006	0,004	0,005	0,004	0,005	0,007
15.	BBTN	0,000	0,004	0,006	0,007	0,007	0,006
16.	BMAS	7,893	6,625	6,044	8,207	3,384	11,08

d. Firm Value

Firm value reflects market perceptions of company performance and future growth opportunities. In this study, firm value is measured using Price to Book Value (PBV). A higher

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PBV value indicates that investors provide a positive assessment of the company's performance and future prospects.

Tabel 5. Firm Value Calculation Data

No	Bank	2019	2020	2021	2022	2023	2024
1.	BBCA	4,73	4,52	4,44	4,77	4,78	4,54
2.	BBRI	2,60	2,57	2,13	2,47	2,74	1,91
3.	BMRI	1,71	1,52	1,48	1,84	1,96	1,70
4.	BBNI	1,17	1,02	0,99	1,23	0,65	0,66
5.	BDMN	0,83	0,69	0,50	0,55	0,53	0,47
6.	BNGA	0,49	0,53	0,48	0,57	0,75	0,71
7.	BNII	0,73	1,19	1,09	0,73	0,74	0,63
8.	BNLI	1,18	1,93	0,94	0,60	0,52	0,50
9.	BJBR	1,05	1,38	1,09	0,97	0,79	0,49
10.	BJTM	1,12	1,00	1,01	0,91	0,76	0,54
11.	BBMD	0,00	0,00	0,00	0,00	0,00	0,00
12.	BINA	1,76	1,42	4,01	3,03	2,88	2,90
13.	BGTG	0,84	0,94	1,65	0,40	0,34	0,32
14.	BNBA	0,00	0,00	0,00	0,00	0,00	0,00
15.	BBTN	0,94	0,44	0,85	0,55	0,43	0,37
16.	BMAS	0,00	0,00	0,01	0,00	0,00	0,00

3.2 Data Analysis

3.2.1 Descriptive Statistical Analysis

Descriptive statistical analysis was conducted to provide an overview of the characteristics of the research variables. The analysis includes minimum values, maximum values, average values, and standard deviations.

The results indicate that the banking companies observed in this study have different financial conditions during the research period. These differences reflect variations in company strategies, operational management, and financial performance.

Tabel 6. Descriptive Statistical Results

Variabel	N	Mean	Median	Max	Min	SD
Liquidity	96	1.356	1.194	12.286,000	1.034,000	1.127,621
Firm Size	96	18.720	19.064	23.115,000	15.386,000	1.905,674
Profitability	96	9.500	14.000	325.079	1.000	4.519,499
Firm Value	96	1.158	775.000	4.778,000	0.000	1.204,750

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Based on the descriptive statistical results, the Liquidity variable has an average (mean) value of 1.356 with a median value of 1.194. The maximum value is 12.286, while the minimum value is 1.034, with a standard deviation of 1.127. These results indicate that the level of liquidity among the banking companies tends to vary, although most companies maintain relatively stable liquidity conditions.

The Firm Size variable has a mean value of 18.720 and a median value of 19.064. The maximum value reaches 23.115, while the minimum value is 15.386, with a standard deviation of 1.905. This shows that the sample companies have different asset scales, ranging from medium-sized to large banking companies.

Profitability has an average value of 9.500 and a median value of 14.000. The highest value is 325.079, while the lowest value is 1.000, with a standard deviation of 4.519. These findings indicate that profitability levels differ significantly among the observed banking companies, reflecting differences in operational performance and efficiency.

Meanwhile, the Firm Value variable has a mean value of 1.158 and a median value of 775.000. The maximum value is 4.778, while the minimum value is 0.000, with a standard deviation of 1.204. This indicates that the market valuation of the companies varies considerably, depending on investor perceptions and company performance during the research period.

3.2.2 Partial Least Square (PLS) Analysis

This study uses Partial Least Square (PLS) analysis to examine the relationship between independent variables and the dependent variable. PLS analysis is considered appropriate because it can evaluate relationships among variables simultaneously.

The stages of analysis include:

1. Outer model evaluation
2. Inner model evaluation
3. Hypothesis testing

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a. Outer Model Evaluation

The outer model evaluation was conducted to assess the validity and reliability of the research indicators. Indicators are considered valid if they are able to measure the intended variables accurately, while reliable indicators produce consistent measurement results.

The analysis results show that all indicators meet the required validity and reliability standards. Therefore, the variables used in this study are appropriate for further analysis.

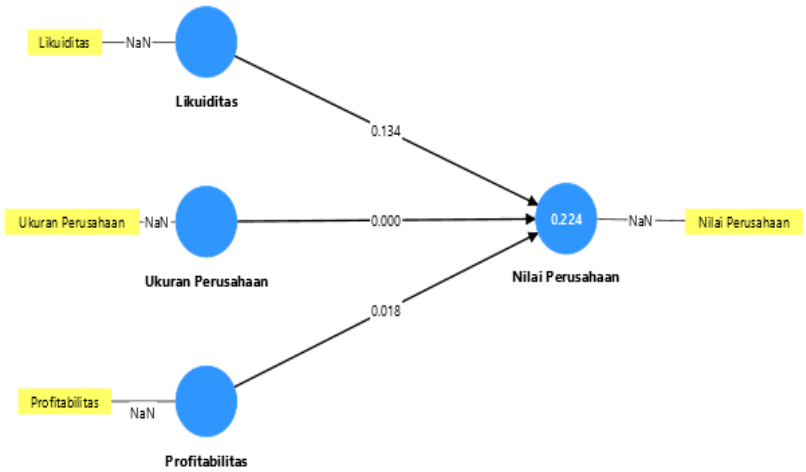

Figure 1. Outer Model PLS Bootstrapping

b. Inner Model Evaluation

The inner model evaluation aims to analyze the relationship between liquidity, firm size, profitability, and firm value. This analysis also measures the predictive capability of the research model. The results indicate that the independent variables are able to explain variations in firm value. This means the research model has sufficient explanatory power.

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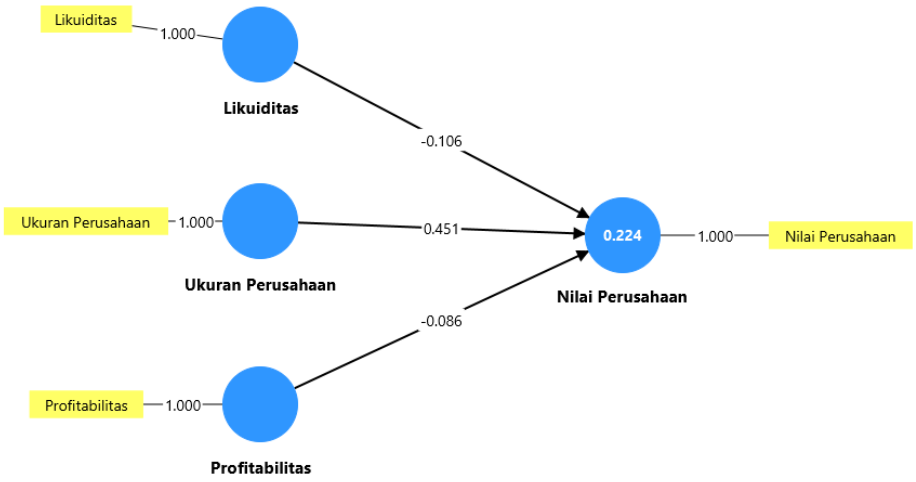

Figure 2. Inner Model PLS Algorithm

3.2.3 Hypothesis Testing

Hypothesis testing was carried out to determine whether liquidity, firm size, and profitability significantly influence firm value. The analysis was based on path coefficient values, t-statistics, and p-values.

Tabel 7. Hypothesis Testing

Variabel	Original Sampel	t-*statistik*	p-*value*	Ketentuan	Keterangan
Likuiditas → Y	**-0,106**	**1,499**	**1,499**	**< 0,05**	**Ditolak**
Ukuran perusahaan → Y	**-0,086**	**2,376**	**2,376**	**< 0,05**	**Diterima**
Profitabilitas → Y	**0,451**	**4,340**	**0,000**	**< 0,05**	**Diterima**

Based on the results above, the hypothesis testing results can be concluded as follows:

1. The test of the effect of Liquidity on Firm Value (Y) shows an Original Sample value of -0.106, with a t-statistic value of 1.499, which is lower than 1.66, and a p-value of 0.149, which is greater than 0.05. These results indicate that liquidity has a negative and statistically insignificant effect on firm value. Therefore, this hypothesis is rejected, meaning that there is no effect between liquidity and firm value.
2. The effect of Firm Size on Firm Value (Y) has an Original Sample value of -0.086, with a t-statistic value of 2.376, which is greater than 1.66, and a p-value of 0.018, which is lower than 0.05. These findings indicate that firm size has a negative and significant

effect on firm value. Therefore, this hypothesis is accepted, meaning that there is an effect between firm size and firm value.

3. The test of the effect of Profitability on Firm Value (Y) shows an Original Sample value of 0.451, with a t-statistic value of 4.340, which is greater than 1.66, and a p-value of 0.000, which is lower than 0.05. These results indicate that profitability has a positive and significant effect on firm value. Therefore, this hypothesis is accepted, meaning that there is an effect between profitability and firm value.

3.3 Discussion

3.3.1 The Effect of Liquidity on Firm Value

The results of this study indicate that liquidity affects firm value. Companies with good liquidity conditions are generally considered capable of fulfilling short-term obligations and maintaining stable operational activities. This condition can increase investor confidence and positively affect market valuation.

Adequate liquidity also reflects good short-term financial management. Investors tend to prefer companies with stable liquidity because they are considered financially safer and more capable of handling business risks. These findings are consistent with previous studies which found that liquidity positively influences firm value.

3.3.2 The Effect of Firm Size on Firm Value

The analysis results show that firm size has a positive relationship with firm value. Companies with larger total assets usually have broader operational coverage, stronger financial conditions, and easier access to funding sources.

Large companies are often perceived as more stable and capable of surviving economic uncertainty. As a result, investors are more interested in investing in large firms, which eventually increases company value. These findings support previous research stating that firm size positively affects firm value.

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3.3.3 The Effect of Profitability on Firm Value

The results of this study indicate that profitability positively affects firm value. Companies with high profitability are considered more effective in generating profits through operational activities.

Strong profitability performance also reflects good management quality and promising future prospects. Investors generally prefer profitable companies because they are expected to provide higher returns. The findings of this study are in line with previous research which concluded that profitability has a significant positive effect on firm value.

4. CONCLUSION

Based on the research results, liquidity has a negative and insignificant effect on firm value, indicating that liquidity does not significantly influence investor assessments of banking companies listed on the Indonesia Stock Exchange. Firm size has a negative and significant effect on firm value, meaning that larger company assets do not always increase market value. Meanwhile, profitability has a positive and significant effect on firm value, which shows that companies with higher profitability tend to have better market valuations and greater investor confidence. Overall, profitability is the variable that has the strongest influence on firm value compared to liquidity and firm size.

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