

## The Role of Profitability, Company Size, Capital Structure, and Liquidity Risk on Firm Value of Indonesian Banks

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**Abstract.** *The main objective of any firm is to maximize shareholder's wealth, which can be seen from firm value. This study aims to analyze and explain the effect of profitability, company size, capital structure, and liquidity risk on firm value banking companies in Indonesia. The population of this study is all banking companies listed on the Indonesia Stock Exchange, with an observation period of 2017-2018. The sample selection using a purposive sampling method. Data have both cross-section and time variation. Analysis and hypothesis testing were carried out by using a linear regression analysis using Eviews 11. The results showed that investors viewed that the company's overall profits from its business activities could increase its share price. The capital structure owned by the public relatively small, which meant that the company could provide a source of funds from within the company in the form of the owner's capital or retained earnings. Funds obtained from loans, if they were not followed by the ability to manage funds or were not channeled back to the community, would cause interest expenses and destroy profits. This condition results in investors selling their shares. Investors in making investment decisions paid attention to one indicator at a time and paid attention to all the factors that determined the company's value.*

**Keywords:** *Public ownership; firm value; investment decision.*

**Abstrak.** Penelitian ini bertujuan untuk menganalisis dan menjelaskan pengaruh profitabilitas, struktur modal, tata kelola dan risiko terhadap nilai perusahaan pada perusahaan perbankan di Indonesia. Populasi penelitian ini adalah seluruh perusahaan perbankan yang terdaftar di Bursa Efek Indonesia, dengan periode pengamatan tahun 2017-2018. Pemilihan sampel dalam penelitian ini menggunakan metode *purposive sampling*. Analisis data dan pengujian hipotesis dilakukan dengan pendekatan model persamaan linier menggunakan program Eviews 11. Hasil penelitian menunjukkan bahwa investor memandang bahwa keseluruhan keuntungan yang diperoleh perusahaan dari kegiatan usahanya dapat meningkatkan harga sahamnya. Struktur permodalan yang dimiliki oleh publik tergolong kecil, ini berarti perusahaan dapat menyediakan sumber dana dari dalam perusahaan berupa modal pemilik atau dari laba ditahan. Dana yang diperoleh dari pinjaman jika tidak diikuti dengan kemampuan mengelola dana atau tidak disalurkan kembali kepada masyarakat akan menimbulkan beban bunga dan menghancurkan laba. Kondisi ini berakibat investor akan menjual sahamnya. Investor dalam mengambil keputusan investasi tidak hanya memperhatikan satu per satu indikator, tetapi memperhatikan semua faktor yang menentukan nilai perusahaan.

**Kata Kunci:** Kepemilikan publik; nilai perusahaan; keputusan investasi.

## Introduction

Firm value is the company's level of success in managing resources, reflected in its stock price. The higher the share price, the higher its value; this is due to its excellent performance. Firm value can provide maximum shareholder wealth if the share price goes up.

Modigliani and Miller (1958) showed that firm value is determined by the company's assets' strength and compared the rate of return, efficiency, and operational performance resulting from assets financed by the company (Kaguri, 2013). The impact of the assets income is shown in greater profits and asset turnover efficiency. This impact increases the company's value. Companies that can generate stable and increasing profits can be seen as positive signals by investors related to company performance so that a positive response will increase firm value (Jensen et al., 1992). Other studies that show a positive relationship between profitability and firm value are found in (Sucuahi & Cambarian, 2016), Pranata & Pujiati (2015), Vijayakumar (2010), and Jariah (2016). Banks, as intermediary institutions, play a crucial role in the Indonesian economy (Investor.id). Indonesia is a developing country that could become a developed country because of its improving economic growth. Economic growth during 2018 of 5.17% ([www.kemenkeu.go.id](http://www.kemenkeu.go.id)) is reasonably well because world economic growth is 3% (Von Geibler, 2013). This growth influenced every company from various sectors. This condition causes entrepreneurs to be eager to manage their companies. The role of finance is vital in managing a company. The more efficient how they use and manage their funds, the better their company. The role of capital is crucial in the world of banking. Banking operational activities are determined by the adequacy of the capital of the banking world; funds are determined by the size of the amount and

the structure of the fund sources (Pandia, 2012).

Agency problems associated with different types of company ownership are an area of concern in many banking systems. Agency theory predicts that modern companies are subject to agency problems, whereby managers can take over shareholders' wealth by taking actions such as Insufficient Effort, excessive investment, fixing strategies, and independent transactions. Managerial ownership serves as a potential mechanism for aligning managers and shareholders (Jensen & Meckling, 1976). Managerial ownership also has a value-destroying effect by transferring risk to managers and replacing risk-taking (Florackis et al., 2020). Research conducted by Pramukti et al. (2019) shows that public ownership positively and significantly affects company value.

Another factor that investors consider is the size of the company. Firm size is a scale or value where the company can be classified based on total assets, log size, and stock value (Fauziah et al., 2020). Several studies found a positive relationship between firm size and firm value conducted by Nasarudin et al. (2019), Manurung et al. (2019), Chen & Chen (2011). The company's size will impact the increase in its stock prices, which means that its value will be higher (Yuliza, 2018). However, some studies have found no relationship between company size and stock prices (Yuliarti & Diyani, 2018).

Understanding and deepening knowledge about company management prudently are fundamental to be implemented so that cases like Century bank will no longer happen to other banks. Managing corporate risk has real consequences for its future value (Gonzalez & Yun, 2013). Companies that implement good risk management practices will reduce the cost of losses and achieve good financial performance and receive a higher rating (Krause &

Tse, 2016). Other empirical research projects that examine the relationship between risk and firm value are Stulz (2015), Panaretou (2014), Rampini et al. (2014), and Florackis et al. (2020).

Based on previous research, there are still differences in results between studies. Therefore, research on firm value in banking companies is still an interesting study.

Previous research has examined several things related to the factors that affect firm value. Research that discusses the relationship between profitability and firm value has been carried out by Sucuahi & Cambarihan (2016) and Pranata & Pujiati (2015), showing a positive and significant impact on firm value. Manurung et al. (2019) obtained a negative and insignificant effect between profitability and firm value. Previous research has examined the capital structure obtained from external companies or the public by Al-Najjar (2017), and Pramukti et al. (2019).

Krause & Tse (2016) researched risk and firm value, where this study examined 70 recent risk management literature studies. The results show that the benefits of risk management can create company value. Companies that apply risk management practices will achieve higher firm value, better financial performance, and reduce financial hardship costs. González & Yun (2013) show that active risk management policies lead to increased firm value. Florackis et al. (2020) found that companies that use risk substitution show more conservative investment and funding policies.

**Firm Value**

Companies with better performance will enjoy a higher share price. An increase in share prices shows people's trust in the company, so they are willing to pay higher prices. It is based on the hope of getting high results as well. The high share price makes the company's value also high. High corporate value is

followed by high shareholder wealth (Brigham & Houston, 2011). So that many associate the company's goals with maximizing the value of the company's shares. High company value will make the market believe in its current performance and the company's prospects. In this study, firm value is measured using the Price to Earning Ratio (PER) indicator.

Price to Earnings Ratio (PER) is the ratio of share price to profit, which is also the value appreciated by investors. PER is formulated as follows (Ehrhardt & Brigham, 2009):

$$PER = \frac{\text{Price Per Share}}{\text{Earnings Per Share}}$$

**Profitability**

Profitability is a signal in the future (Bhattacharya, 1979; Miller & Rock, 1985), generating stability and increasing profits. It can be seen as a positive signal which investors related to firm performance so that a positive response will increase firm value (Rizqia et al., 2013). According to Brigham & Houston (2011), profitability is the net result of a series of policies and decisions. Profitability describes the level of profit earned by the company in a certain period. Profitability can be assessed in various ways, using the ratio of Net Interest Margin (NIM) and Net Profit Margin (NPM). According to a Bank Indonesia Circular No. 13/24/DPNP (2011), Net Interest Margin (NIM) is net interest income to average total productive assets. NIM is formulated as follows:

$$NIM = \frac{\text{Net interest income}}{\text{Average Total Earning Assets}}$$

According to Ehrhardt & Brigham (2009), the Net Profit Margin is the ratio between net income and sales. For a services company, sales can be equated

with revenue, so the formula is as follows:

$$\text{NPM} = \frac{\text{Net profit}}{\text{Total Income}}$$

**Firm Size**

Company size is a scale or value in which the company can be classified based on total assets, log size, stock value, etc. A company's size can be expressed in terms of total assets, sales, and market capitalization. The greater the total assets, sales, and market capitalization, the greater its size. These three variables can determine the company's size because they represent how big the company is (bigger assets, high capital investment, more sales, high money velocity, bigger market capitalization, and the bigger the company will be known in society). Larger companies will have larger stakeholders, so they are under higher scrutiny to disclose information to all shareholders (Deswanto & Siregar, 2018). The company size is formulated as follows:

$$\text{Size} = Ln \text{ Total Asset}$$

**Capital Structure**

Capital structure is described as the company's financial proportion between its long-term debt and its capital (Fahmi, 2016). The role of capital is vital in the banking world; its capital adequacy determines operational activities in banking. When ownership is widely distributed, for example, ownership by the public through the capital market will cause the owner to be unable to exercise effective control over its managers. The capital structure in this study uses a measure of public ownership. Foreign-owned companies have better performance than private-owned companies (Soejono, 2010), and ownership concentration influences firm value (Meca & Ballesta, 2011). Public ownership is in the form of nationalization of the banking sector as an alternative strategy in globalization. It

also advanced capitalism to increase democratic decision-making in driving firm value in the market (Cumbers & McMaster, 2012). This study's capital structure is measured using the percentage of share ownership indicators owned by the public (Public Ownership) of all total shares outstanding.

$$\text{Public Ownership} = \frac{\text{Number of Shares Owned by public}}{\text{Number of Shares Outstanding}}$$

**Liquidity Risk**

Companies that implement good risk management will achieve better financial performance and experience a reduction in the cost of financial hardship so that they have the potency to create firm value (Krause & Tse, 2016). Liquidity will help them increase their investment portfolio, provide a competitive advantage in the market, and increase firm value (Arif & Annes, 2012). According to a Bank Indonesia Circular No. 13/24/DPNP (2011), risk assessment is carried out on inherent risk and the quality of risk management implementation in the bank's operational activities. An inherent risk assessment assesses the risks inherent in bank business activities, affecting the bank's financial position.

The loan measures Liquidity risk to Deposit Ratio (LDR). This ratio states how far the bank can repay depositors' withdrawals by relying on credit provided as a liquidity source. The total credit is a credit to non-bank third parties. Total third-party funds are all funds entrusted by the public to the bank in demand deposits, savings, time deposits, and other equivalent forms. The LDR is formulated as follows:

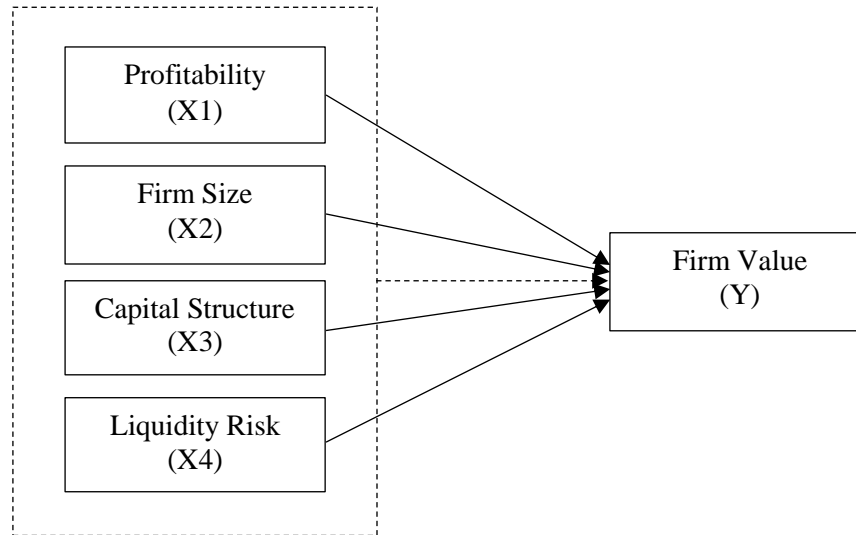
$$\text{LDR} = \frac{\text{Total Credit}}{\text{Total Third-party funds}}$$

Previous research on firm value, profitability, firm size, capital structure,

and risk took more on manufacturing companies samples, while the authors examined banking sector companies.

Based on the background, the following research concept framework:

**Figure 1. Research Concept Framework**



The research hypothesis is structured as follows:

- H1: Profitability has a positive effect on firm value in banking companies on the Indonesia Stock Exchange.
- H2: Firm size positively affects firm value in banking companies on the Indonesia Stock Exchange.
- H3: Capital structure positively affects firm value in banking companies on the Indonesia Stock Exchange.
- H4: Liquidity risk positively affects firm value in banking companies on the Indonesia Stock Exchange.
- H5: The profitability of company size, governance, and risk simultaneously positively affects firm value in banking companies on the Indonesia Stock Exchange.

## Research Methods

The subject of this research is all banking companies listed on the Indonesia Stock Exchange (BEI). Banking company data is obtained through the official website of the Indonesia Stock Exchange ([idx.co.id](http://idx.co.id)). Data are taken from financial reports and

annual reports published on the Indonesia Stock Exchange (<http://www.idx.co.id>), obtained from mass media reports. The sampling technique used in this study was the purposive sampling method. This research type is quantitative descriptive and explanatory descriptive, aiming to explain the relationship between variables through hypothesis testing (Solimun, 2010).

Data collection is done by taking secondary data available in financial reports, annual reports, performance reports, disclosure of public information from companies, and mass media reports. Documentation studies sourced from the Indonesia Stock Exchange through the official website of the Indonesia Stock Exchange, the website of Bank Indonesia (<http://www.idx.co.id>), the website of the Financial Services Authority (<http://www.ojk.go.id>), print media, and journals. The data used in this research is panel data, which is a combination of data between companies (cross-section) and between times (time series). Multivariate analysis can be defined as an analytical technique used to examine the relationship among the variables (Hair et

al., 2011 in Ghozali & Ratmono, 2017). The data is processed by using the panel data regression method with statistical data processing program Eviews 11. Panel data (pool) is a combination of time series data with cross data (cross-section). Generally, the estimation of parameters in regression analysis with cross-section data is carried out using the estimation method of small squares or Ordinary Least Square (OLS).

## Results and Discussions

43 Banking companies listed on the Indonesia Stock Exchange (IDX) during the 2017-2018 period. Among 43 banking companies, three companies did not meet the criteria as the sample because they do not have public ownership, so 40 banking companies are taken as the sample. Statistic descriptive results are based on research data (Table 1).

**Table 1. Statistic Descriptive**

	PER	NIM	NPM	SIZE	PO	LDR
Mean	17.88725	4.818625	8.046375	17.30438	25.04654	85.51963
Median	15.84500	4.720000	10.19500	17.05500	20.07500	87.10000
Maximum	144.3700	9.320000	45.50000	20.98000	59.89000	145.2600
Minimum	-100.4500	1.220000	-6.707.000	13.51000	0.003000	50.61000
Std. Dev.	29.84505	1.561727	19.22842	1.864679	16.63978	14.05000
Skewness	0.670106	0.228517	-1.683.384	0.210298	0.314164	0.406771
Kurtosis	9.663020	3.360508	7.027537	2.157729	1.690355	6.430802
Jarque-Bera	153.9733	1.129488	91.85392	2.954405	7.033216	41.44084
Probability	0.000000	0.568506	0.000000	0.228275	0.029700	0.000000
Sum	1430.980	385.4900	643.7100	1384.350	2003.723	6841.570
Sum Sq. Dev.	70367.45	192.6803	29208.85	274.6852	21873.70	15594.80
Observations	80	80	80	80	80	80

Source: Output Eviews, (2020)

The descriptive statistical (Table 1) results show that the number of observational data used in the study was 80, the number of banking companies' samples during the 2017-2018 period. In the dependent variable, firm value (Y) has an average value of 17.88725 with a standard deviation value of 29.84505 with a maximum value of 144.3700 and a minimum of -100.4500. The high standard deviation is due to several sample firms experiencing losses during the study period. The independent variable NIM (X1) has an average value of 4.818625, with a standard deviation value of 1.561727 with a maximum value of 9.32 and a minimum of 1.22. The independent variable NPM (X2) has an average value of 8.046375 with a standard deviation value of 19.22842, a maximum value of 45.5, and a minimum of -67.07. The independent variable Size

(X3) has an average value of 17.30438 with a standard deviation value of 1.864679, a maximum value of 20.98, and a minimum of 13.51. The independent variable PO (X4) has an average value of 25.04654 with a standard deviation value of 16.63978, a maximum value of 59.89, and a minimum of 0.003. The independent variable LDR (X5) has an average value of 85.51963 with a standard deviation value of 14.05, a maximum value of 145.26, and a minimum of 50.61.

### Panel Data Regression Model Selection

Panel data regression can be done in three models: Common Effect, Fixed Effect, and Random Effects. Each model has its advantages and disadvantages. The choice of the model depends on the researcher's assumptions and the fulfillment of the correct statistical data

processing requirements to be justified statistically. After the chow and LM testers have been carried out, the best results to use in this study are the Common Effect Model

### Classic Assumption Test

The classical assumption test is a statistical requirement that must be met in multiple linear regression analysis based on the Ordinary Least Square (OLS). The classical assumption test is carried out, the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The results show that the data is normally distributed, the model does not experience multicollinearity problems, the independent variable is free from heteroscedasticity problems, and there is no autocorrelation.

### Analysis and Interpretation of Regression Equations

This study was obtained from processing data in the common effect model table to compile the regression equation, as in Table A1 (see Appendix). The form of the regression equation is:

$$Y = 100.9257 + 2.662503 \text{ NIM} + 0.496408 \text{ NPM} - 2.473438 \text{ Size} - 0.397088 \text{ PO} - 0.550931 \text{ LDR}$$

From the regression equation above, it can be concluded that:

$\alpha = 100.9257$ ; if  $X_1(\text{NIM})$ ,  $X_2(\text{NPM})$ ,  $X_3(\text{Size})$ ,  $X_4(\text{PO})$ , and  $X_5(\text{LDR}) = 0$ , then  $Y(\text{Firm Value}) = 68.89167$

$\beta_1 = 2.662503$ . NIM has a positive coefficient, meaning that NIM and firm value have a unidirectional relationship; if NIM increases, it will also increase company value and vice versa, and an increase of 1% in NIM will increase company value 2.662503 if it is assumed that other variables are constant.

$\beta_2 = 0.496408$ . NPM has a positive coefficient, meaning that NPM and firm value have a unidirectional relationship; if NPM increases, it will also increase

company value and vice versa, and a 1% increase in NPM will increase firm value 0.496408 if it is assumed that other variables are constant.

$\beta_3 = -2.473438$ . Size has a negative coefficient, meaning the size and firm value has an opposite relationship; every 1% increase in the Size variable will decrease the firm's value by 2.473438 if it is assumed that other variables are fixed.

$\beta_4 = -0.397088$ . PO has a negative coefficient, meaning that PO and firm value have an opposite relationship, every 1% increase in the PO variable will reduce the firm value by 0.397088 if it is assumed that other variables are fixed.

$\beta_5 = -0.550931$ . LDR has a negative coefficient, meaning that LDR and firm value have an opposite relationship, every 1% increase in the LDR variable will decrease the firm's value by 0.550931 if it is assumed that other variables are fixed.

### Hypothesis Test

#### a. Partial Test

Table A3 (see Appendix) is taken from the selected regression model estimation, namely the Common Effect Model. The panel data regression analysis results showed that the probability results of  $0.2871 > 0.05$  mean that NIM has no significant effect on firm value. The effect of NPM on firm value, the results of panel data regression analysis showed a probability result of  $0.0247 < 0.05$ , which means that NPM significantly affects firm value. The results of this study indicate that the Net Interest Margin (NIM) has a positive and no significant effect on firm value, and Net Profit Margin (NPM) has a significant positive effect on firm value. This explains that investors in making decisions view the level of profitability not only from the profit earned from interest due to loans distributed to customers, the overall net profit of the

bank's business results such as foreign currency trading, letters of credit, collection, bank guarantees, money transfers, and safe deposit box. The greater its profitability, the greater the profit shared and its value (Chen & Chen, 2011; Al Masum, 2014). This result is consistent with some studies that found the relationship between profitability and firm value (Sucuahi & Cambarihan, 2016; Pranata & Pujiati, 2015; Vijayakumar, 2010; Rizqia et al., 2013 and Jariah, 2016). They are in the same line that profitability has a significant positive impact on firm value.

On the effect of size on firm value, the panel data regression analysis results showed a probability of  $0.2598 > 0.05$ , which means that size has no significant effect on firm value. This study indicates that company size (Size) has a negative and no significant effect on firm value. The size of the company is seen from the number of total assets owned. The size of the companies assures lenders, such as banks. A large number of assets for a banking company will incur a burden if such large assets are not used to increase total income. Banking companies are companies that require careful management. Investors view that if there are many idle assets, management cannot manage the company properly. The size of the company cannot increase its value in the market. This research is supported by Sucuahi & Cambarihan (2016), and Pranata & Pujiati (2015). This large asset is not used to increase income. In contrast to Yuliza (2018) and Manurung et al. (2019), large company size will impact the share price, impacting its value. The large company size provides guarantees to lenders, such as banks (Kyissima et al., 2020).

On the effect of Public Ownership (PO) on firm value, the panel data regression analysis results showed a probability result of  $0.0474 < 0.05$ , which means that the PO has a significant effect on firm value. This study indicates that

Public Ownership (PO) has a significant negative effect on firm value. The data shows that the capital structure of banking companies owned by the public is generally small, below 50%. Investors view the public's capital structure as prudence because banking companies are bound to risk. Small capital ownership indicates that the banking company can provide capital from within the company, whether obtained from the owner or retained earnings. This condition causes investors to make investment decisions because the company value increases in the market. In the future, public ownership is a challenge in improving the economic strength of multi-national companies and the global economy (Cumbers & McMaster, 2012). Al-Najjar (2017) and Pramukti et al. (2019) also found the relationship between public owner and firm value.

On the effect of LDR on firm value, the panel data regression analysis results showed a probability result of  $0.0286 < 0.05$ , which means that LDR significantly affects firm value. This study's results indicate that the Loan to Deposit Ratio (LDR) has a negative effect on firm value. The higher LDR shows that the bank is liquid for a certain extent required by BI (Bank Indonesia, 2009). The ideal LDR limits to 70-80%. If it exceeds the limit, the bank has to fulfill the minimum obligatory deposit. The decision to make a loan is one solution to accelerate operational activities and increase profits. If not followed by the ability to manage the funds or are not channeled back to the community, company loans that continue to grow will destroy profits; this means that the public will hesitate when the company has an extreme debt condition. Irrelevant theory by Modigliani & Miller (1961), firm value is determined by net income before tax and risk. Banks close to risk must manage the funds obtained from customers in credits to become the driving force for the bank to generate maximum profit. The company can



guarantee a certain level of corporate financial performance when giving credit. However, in the future, their behaviour changes, and creditors may have financial distress (Salehi et al., 2017), the immediate costs of bankruptcy reduce the firm's value. Banks generally raise capital to cope with growing risks (Ghosh, 2014). When public confidence decreases, shareholders' negative reaction will be seen from the release of their shares. The bank must obey the guidelines, prudence, and corporate management concerning liquidity exposure to improve the bank's profitability and firm value (Ebenezer et al., 2019). The results of this study are supported by (Krause & Tse. (2016); Stulz (2015), Panaretou (2014), Rampini et al. (2014), and Florackis et al. (2020), risk has a significant effect on firm value.

#### b. Simultant Test

This test is conducted to determine whether all the independent variables together significantly influence the dependent variable.

Table A4 (see Appendix) is taken from the selected regression model estimation, namely the Common Effect Model. With a significant level ( $\alpha$ ) of 5%, the F statistic's probability value is 0.017592, smaller than the significance level of 0.05. So this shows that the variables NIM, NPM, Size, PO, and LDR simultaneously have a significant effect on firm value. Profitability, firm size, governance, and risk simultaneously affect firm value. Investors in making investment decisions generally do not look at each of the factors that determine the value of a banking company's shares but consider these factors as a whole so that the right investment decision will be obtained.

The coefficient of determination (Adjusted R-Square) is essential to measure how far the model can explain the dependent variable's variation. An Adjusted R-Square value close to one means that the independent variables can

provide almost all the information needed to predict the dependent variable. Table A4 (see Appendix) shows that the Adjusted R-Square value in this study is 0.10973, which means that the independent variable explains 10.97% of PER's variation, which indicates that the independent variable used has very little influence on firm value. At the same time, the remaining 89.03% is explained by other factors outside the model used in this study.

### Conclusion

The research of profitability, company size, capital structure, and liquidity risk on firm value in Indonesia's banking companies for the 2017-2018 periods indicate that investors in making investment decisions view the level of profitability of the net income generated from the overall results of the business, not only from the profit earned from interest income due to loans extended to customers. The capital structure of banking companies owned by the public is generally small. Investors see the public's capital structure as a matter of caution because banking companies are inherently risky businesses. The banking company can provide capital from within the company, whether obtained from the owner or retained earnings.

Debt is one of the solutions to speed up operational activities and increase profits. If it is not followed by the ability to manage the funds, an increase in company loans will result in interest expenses. It means that the public will hesitate when the company has an extreme debt condition. When public confidence decreases, shareholders' negative reaction will be seen from the release of their shares.

Investors in making investment decisions generally do not look at each of the factors that determine the value of a banking company's shares but consider these factors as a whole so that the right investment decision will be obtained.

There are some limitations inherent in the development of this study. The sample of 40 firms makes the study more of an industry-based study than an inter-industry-based one. Thus, it is not representative of the firm value across various industries in Bursa Efek Indonesia (Indonesia Stock Exchange), so that the next research can develop using firm value across various industries and other fundamental factors such as liquidity ratios, other profitability ratios, and macroeconomic factors such as inflation, exchange rates, interest rates, total money supply, and others as a predictor of firm value.

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## Appendix

### Table A1. Common Effect Model

Dependent Variable: PER  
 Method: Panel Least Squares  
 Date: 07/27/20 Time: 21:40  
 Sample: 2017 2018  
 Periods included: 2  
 Cross-sections included: 40  
 Total panel (balanced) observations: 80

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	100.9257	38.89120	2.595079	0.0014
NIM	2.662503	2.483221	1.072198	0.2871
NPM	0.496408	0.216547	2.292384	0.0247
SIZE	-2.473438	2.178266	-1.135508	0.2598
PO	-0.397088	0.223061	-1.780177	0.0474
LDR	-0.550931	0.246826	-2.232062	0.0286
Root MSE	27.08346	R-squared		0.166076
Mean dependent var	17.88725	Adjusted R-squared		0.109730
S.D. dependent var	29.84505	S.E. of regression		28.16004
Akaike info criterion	9.585724	Sum squared resid		58681.12
Schwarz criterion	9.764376	Log likelihood		-377.4289
Hannan-Quinn criter.	9.657350	F-statistic		2.947418
Durbin-Watson stat	1.833586	Prob(F-statistic)		0.017592

### Table A2. Multicollinearity Test Results

	NIM	NPM	SIZE	PO	LDR
NIM	1				
NPM	0.441521	1			
SIZE	0.311300	0.560762	1		
PO	0.326225	0.079026	0.285857	1	
LDR	0.227092	0.170156	0.166404	-0.202364	1

### Table A3. T-Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	100.9257	38.89120	2.595079	0.0014
NIM	2.662503	2.483221	1.072198	0.2871
NPM	0.496408	0.216547	2.292384	0.0247
SIZE	-2.473438	2.178266	-1.135508	0.2598
PO	-0.397088	0.223061	-1.780177	0.0474
LDR	-0.550931	0.246826	-2.232062	0.0286

**Table A4. F-Test Result**

Root MSE	27.08346	R-squared	0.166076
Mean dependent var	17.88725	Adjusted R-squared	0.109730
S.D. dependent var	29.84505	S.E. of regression	28.16004
Akaike info criterion	9.585724	Sum squared resid	58681.12
Schwarz criterion	9.764376	Log likelihood	-377.4289
Hannan-Quinn criter.	9.657350	F-statistic	2.947418
Durbin-Watson stat	1.833586	Prob(F-statistic)	0.017592