

CHAPTER V

CONCLUSION AND IMPLICATIONS

A. CONCLUSIONS

Based on data analysis and discussion, several conclusions can be drawn, including that profitability (ROA) has been proven to have a positive and significant impact on the firm value in the banking sector. This confirms that a bank's ability to generate profit is a key factor appreciated by the market and stakeholders. Liquidity, which is inversely measured by the LDR, has proven to have a positive and significant impact on the firm value. The more liquid a bank is (lower and controlled LDR) the higher its firm value, as it is considered safer and more stable. Solvency, measured by DAR, has been proven to have a negative and significant impact on the firm value. The high debt ratio serves as a risk signal for investors, thereby suppressing the company's valuation. These three findings consistently support the Stakeholder Theory, where good financial management (profitable, liquid, and not overly risky) is the way companies accommodate and balance the interests of various parties (investors, customers, creditors, regulators), which ultimately reflects in a higher firm value.

B. IMPLICATION

The practical implication of this research is that bank management must strategically balance the enhancement of profitability (ROA), prudent liquidity management (LDR), and the control of solvency risk (DAR) to

maximize firm value. For investors, these findings underscore the necessity of conducting a comprehensive analysis that extends beyond mere profit figures by considering liquidity and debt-related risk factors before making investment decisions.

C. LIMITATIONS OF THE RESEARCH

This study has limitations, notably the moderate explanatory power of the model (Adjusted $R^2 = 21.3\%$), suggesting that the majority of the variation in company value is influenced by other factors. Consequently, future study should investigate the influence of additional variables, including corporate governance, firm size, dividend policy, and macroeconomic factors. Furthermore, in light of the fragmentation in the banking sector, a comparative examination of digital banks vs traditional banks represents a highly potential avenue for research.