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The Influence of Variables That Can Affect Firm Value in the Banking Industry on the Indonesia Stock Exchange

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Abstract

This study aims to analyze the influence of macro fundamentals and financial risk with capital structure, ownership structure, company characteristics, and financial performance as intervening variables on company value with indicators of stock price, earnings per share, and price to book value. This research is quantitative descriptive with a random sampling technique of ten samples from forty-seven banks in Indonesia in 2019-2022 listed on the Indonesia Stock Exchange. The analysis technique uses Partial least Square (PLS). The results showed that macro fundamentals have a significant effect on company value, company characteristics have a considerable impact on financial performance, financial risk has a significant effect on company characteristics, financial risk has a substantial effect on ownership structure, financial risk has a significant impact on capital structure, and capital structure has a significant effect on financial performance. In addition to the six hypotheses, it shows insignificant, so the company's value is influenced by macro fundamentals, financial risk, capital structure, company characteristics, ownership structure, and financial performance it just 33%.

Keywords : Capital structure, Company characteristics, Company value, Financials performance, Macro fundamentals
JEL Classification : G32, F41

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1. Introduction

The banking industry in Indonesia continues to face complex and diverse challenges in maintaining growth and stability due to external influences, in this case the ever-changing macro fundamentals of interest rates, exchange rates and inflation. Currently, the banking sector in Indonesia is facing various challenges, such as regulatory changes, intensified competition, and financial risks. Research on the analysis of the value of banking companies in Indonesia can provide a better understanding of the factors that affect the value of bank companies, so that it can help banks to improve their performance and competitiveness. On the other hand, financial risks consisting of credit risk,

market risk, and liquidity risk, can provide significant challenges for companies in the banking sector Sabrina & Muharam, (2015).

In addition to macro fundamental factors and financial risk, other variables can also affect the value of bank companies, namely capital structure as part of the composition between capital, shares and debt. Ownership structure which includes investor participation and ownership as well as management that can influence company policy and performance where management has greater information in management than investors Hwihanus et al., (2019). In addition, firm characteristics are an important concern in ownership and determining firm value such as size, age, and business diversification, as well as financial performance that can play an important role in determining firm value. Banking as a company involves various parties who have an interest in dealing with issues related to the ownership structure within their organization. According to Hadad et al., (2003) there is a performance agreement between bank owners and management, where bank owners expect management to optimize profits for the bank owners. Research Cornett et al., (2010) on bank ownership in Asian countries is generally owned by the government with a lower level of profitability compared to banks owned by the private sector. The study showed a negative and significant influence between government ownership and bank performance.

Investors in the capital market often use internal and external factors as a basis for making investment decisions Pater et al., (2014). The value of the company can be maximized in accordance with the company's objectives can be influenced by the company's financial performance, as well as financial performance can be influenced by ownership structure Farooque et al., (2010); Khlif et al., (2015). Capital structure is an important factor affecting the performance of the company, because it affects the source of funding and expenditure of the company. If the company has high capital from its owners or investors. This shows that the company has little debt, thus providing greater incentives to company owners, and can encourage the payment of high investment returns Gultom & Wijaya, (2013).

Increased company value will provide shareholder welfare through the company's financial performance, so that organizational operations can be managed effectively and efficiently for decision making Hwihanus et al., (2019). To maximize firm value, it can be through several factors, namely the influence of capital structure, ownership structure, company characteristics, financial performance based on macro fundamentals and financial risk. The novelty of this research is that there are relationships between new variables such as: financial risk with company characteristics, financial risk with capital structure, capital structure with company characteristics, and capital structure with ownership structure, as well as relationships between other variables that have been used by previous researchers to determine the effect of these variables for investors, bank management, and regulators.

2. Hypotheses Development

Management Accounting

Management accounting is a branch of accounting that focuses on collecting, processing, and presenting financial information that is relevant to management in making business decisions Anthony et al., (2011). The main objective of management accounting is to assist management in planning, controlling, and making effective decisions to achieve organizational goals Horngren et al., (2018).

According to Darmanto et al., (2016) shows that management accounting information plays an important role in making fixed asset investment decisions in the company. Companies should be more careful in assessing relevant costs for making long-term investment decisions and also need to be evaluated so that further planning can get satisfactory results. According to Krismiaji & Anni Aryani, (2019) Management accounting provides information to internal parties, namely managers. The information provided by management accounting is future-oriented and prospective in nature. Some of this information includes: production costs, profit and loss, cost-volume-profit analysis, and investment appraisal. Management accounting is an important tool for managers in carrying out management functions. Management accounting assists managers in making the right decisions to achieve organizational goals. The application of management accounting involves various important aspects such as planning and budgeting. In addition, management accounting also plays a role in controlling and evaluating performance, and decision making is another important aspect of management accounting Atkinson et al., (2018); Foster, (2018); Horngren et al., (2018); Hansen et al., (2018).

Agency Theory

Jensen and Meckling's agency theory discusses the relationship between the owner of the company (principal) and the manager employed by the owner to manage the company (agent). This theory identifies agency problems that arise due to differences in interests and asymmetric information between principals and agents. This theory tries to explain how asymmetric information, differences in interests, and motivation problems can affect agent behavior Jensen & Meckling, (2014).

Information asymmetry can cause conflicts of interest between managers and company owners in achieving prosperity. Managers have greater access to information than owners, so it is important for company owners to conduct effective supervision of managers to ensure transparency in financial reporting, and implement good corporate governance practices. In addition, strict accounting regulations and standards as well as the role of independent auditors are also important to protect the interests of owners and maintain the sustainability of the company Dechow & Skinner, (2000); Healy & Wahlen, (1999).

Stakeholder Theory

Stakeholder theory is an important approach in management and business that pays special attention to groups that have an interest or stake in an organization or project. According to Freeman, (1984) stakeholder theory recognizes that organizations do not operate in isolation, but rather in a broader environment consisting of a variety of different stakeholders. These stakeholders can be individuals, groups, organizations, or other entities that affect or have the potential to affect the decisions and performance of an organization, and focus on considering the interests and objectives of various stakeholders in decision-making strategies.

Stakeholder theory also emphasizes the importance of building a balanced and mutually beneficial relationship between the organization and its key stakeholders. According to Jones & Wicks, (1999), the stakeholder approach involves open and transparent communication, stakeholder participation in decision-making, and recognition of diverse interests. Research T. Donaldson & Preston, (1995) shows that good stakeholder management can provide long-term benefits for organizations, such as improving important relationships with stakeholders, building trust and good reputation, and strengthening the alignment between organizational interests and broader social interests. However, in implementing stakeholder theory, there are challenges that need to be overcome. According to Mitchell et al., (1997), selecting and setting priorities among diverse stakeholders can be complex and challenging.

Pecking Order Theory

Pecking order theory is a theory that describes the preference and order of funding source selection made by companies. Companies tend to follow a certain order in choosing their funding sources. Utilization of retained earnings as the first source of funding before considering other options. Retained earnings are profits earned by the company and not distributed as dividends to shareholders S. Myers & Majluf, (1984). However, if retained earnings are insufficient then the company will consider debt as a second option. Debt can be obtained through bank loans or bond issuance. According to Gitman & Zutter, (2012), states that companies tend to prefer debt over issuing new shares because the cost of debt is generally lower and companies can take advantage of tax benefits rather than supposed interest. If retained earnings and debt are insufficient to meet financing needs, the company will consider internal equity as the next option. Internal equity is obtained by withholding dividend distribution to shareholders, thereby increasing the available capital in the company.

If the previous options are insufficient, the company may consider purchasing external equity issuing new shares or seeking external investors. However, issuing new shares is considered a last resort as it may result in dilution of ownership for existing shareholders G. Donaldson, (1961). The pecking order theory has been widely studied and debated by researchers and financial experts. Although there are some criticisms and applications in its application, this theory remains one of the important frameworks in understanding corporate financing decisions Fama & French, (1998).

Macro Fundamentals

Macro fundamentals are economic principles related to analyzing and understanding the factors that affect the economy as a whole Mankiw, (2014). This includes factors such as economic growth,

inflation, unemployment, and business cycles. International trade plays an important role in macroeconomics. The exchange of goods and services between countries affects economic growth, employment, and resource allocation. Factors such as trade policies, currency exchange rates, and international trade agreements affect trade flows and a country's economic performance Krugman & Obstfeld, (2009). Macro fundamental analysis is essential for economists, policymakers, and market participants as it helps them understand current economic conditions, anticipate changes, and make informed decisions to achieve desired economic goals Blanchard, (2017).

Financial Risk

Financial risk is a threat to the stability and financial health of an individual, company, or financial institution. According to Campbell et al., (1997), financial risk is defined as fluctuations in asset prices that have the potential to cause losses for investors and asset holders. One important aspect of financial risk is market risk. This risk includes changes in asset prices, interest rates, or currency exchange rates that can affect an investment portfolio. According to research by Allen, (2003), market risk and credit risk are two types of financial risk that are often faced by financial institutions.

Credit risk is the possibility of a debtor failing to repay a loan or financial obligation. This can affect the company or individual lending the funds. In research Evanoff & Wall, (2001) they emphasized the importance of liquidity risk management to prevent financial disruptions that could affect the stability of the financial system. These risks involve human error, system failure, or other unforeseen events that can lead to financial losses.

Capital Structure

Capital structure is the composition of the sources of funds used by a company to fund its operations and investments. Capital structure refers to the ratio between own capital and loan capital used by a company in financing its business activities. There are two main components in the capital structure. The first is own capital or equity, which is the investment made by the owners of the company. A study Myers, (1984) explains that equity capital includes the initial investment made by the owner or the issuance of new shares, and the owner has ownership rights and shares the profits and risks of the company.

The second component is borrowed or debt capital, which is acquired by the company through loans or bond issues. Gitman & Zutter, (2012) explain that debt is a source of funds that must be returned to the lender with specified interest, and companies can obtain debt from various sources such as banks or financial institutions. The optimal capital structure varies depending on many factors. According to Harris & Raviv, (1991), the factors that influence the selection of capital structure include business risk, taxation policy, cost of capital, financial market conditions, firm risk profile, and owner or management preferences.

Ownership Structure

Ownership structure according to M. Ghazali, (2010) reflects the relationship between owners and controllers and affects strategic decisions, management actions, and company performance. There are several types of ownership structures that are commonly used. One of them is individual ownership, where assets are owned by one person personally and joint ownership is a common ownership structure. In joint ownership, two or more individuals own assets jointly.

According to Boardman et al., (2014), states that joint ownership is often used in property investment or other large assets, where owners have a proportional share in ownership and share decisions and responsibilities. One of the most common forms of ownership structure in the business world is corporate ownership. Khoiri, (2019) explains that a company is a legal entity separate from its owners. Owners own shares in the company and share the company's profits and losses according to the amount of their ownership, and the owner's responsibility is limited to the amount invested in the company.

Company Characteristics

Company characteristics reflect the company's identity and operations that can affect business success and sustainability. According to research Gupta & Sharma, (2019), company characteristics are an important aspect in understanding the differences between successful and unsuccessful companies. In addition, the company's purpose and vision are also significant characteristics. Tushman & O'Reilly,

(2019) said that clear goals and visions help companies direct their efforts and provide focus in the face of rapid market changes.

According to research Mintzberg, (1983), the organizational structure reflects the hierarchy and relationship between the parts in the company. An effective and flexible organizational structure can improve collaboration and operational efficiency will be one of the important factors in the characteristics of the company. According to Mairead Brady et al., (1967), the value of company characteristics is influenced by unique, quality products, and providing added value to customers has a significant competitive advantage.

Financial Performance

Financial performance is a comprehensive evaluation and analysis of the financial health of an entity Mulyadi, (2022). According to Brigham & Houston, (2020) financial performance involves measuring and assessing various financial aspects that reflect the stability and performance of an entity over a period of time. This includes the measurement of revenues, costs, profits, cash flows, and assets and debts. Revenue analysis is an important component in evaluating financial performance. Palepu et al., (1996) said that stable or increasing revenue indicates good growth and can provide a competitive advantage for the entity.

Evaluation of assets and debt is also important in assessing long-term financial performance. According to Penman, (2000) assets include the economic resources owned by an entity, while debt reflects the obligations that must be met. Analysis of the debt-to-equity ratio helps in evaluating the relative debt level of an entity. Financial ratios are also a useful tool in analyzing financial performance. Daves & Brigham, (2003) explains that liquidity ratios, profitability ratios, and return on investment ratios are some examples of financial ratios used to measure the financial performance of an entity. Revenue growth and operational efficiency are also important factors in evaluating financial performance. According to Stephen Ross et al., (1991), consistent growth and improved operational efficiency can indicate good financial performance and competitive advantage of an entity.

Company Value

Firm value is an important measure in evaluating the success and wealth of a company. This value reflects the assets owned by the company and can be interpreted as a measure of the overall health and potential sustainability of the business Hakim & Wibowo, (2022). According to Dichev & Wei Tang, (2009), firm value describes the market price of all claims held by interested parties in the company. A commonly used approach in determining the value of the company is an assessment based on the company's share price in the market. According to Pandey, (2015), the market value of a company is the product of the number of shares outstanding and the market price per share. However, it should be noted that the stock price does not always reflect the intrinsic value of the company, as speculative factors and market sentiment can affect it.

According to Damodaran, (1995), the book value of a company can be calculated by subtracting the company's total liabilities from the company's total assets recorded in the financial statements. However, book value does not always reflect the true value of the company's assets, as it does not consider factors such as future growth, immaterial wealth, and assets that are not visible in the financial statements. Alternatively, a valuation based on the company's revenues or profits can also be used. This valuation involves financial projections and estimates of the company's future cash flows. According to Pratt, (1981), the valuation approach based on the company's revenue or profit tries to determine the value of the company by combining risk and growth factors. This approach is more directed at the potential profits generated by the company in the future.

3. Methods, Data, and Analysis

This study uses quantitative methods to measure the effect of macro fundamentals and financial risk on firm value with capital structure, ownership structure, firm characteristics and financial performance as intervening variables, show on table 1. This study uses a simple random sample technique by taking 10 banks in Indonesia in 2019-2022 from 47 banks listed on the Indonesia stock exchange.

Table 1. Variable and Indicators Used in This Research.

No	Variable	Indicator
1	Macro Fundamentals	Interest Rate, Inflation, Exchange Rate
2	Financial Risk	Non-Performing Loan, Credit Risk, Operational Risk (BOPO), Liquidity Risk (LDR)
3	Capital Structure	Debt to Equity, Debt to Total Asset, Equity to Total Asset, Long Term Debt to Capital
4	Company Characteristics	Company Age, Company Size, Number of Board Commissioners, Number of Board Directors, Number of Audit Committee
5	Ownership Structure	Foreign, Government, Institutional, Public
6	Financial Performance	Cash Ratio, Current Ratio, Asset Turnover, Return on Asset, Return on Equity, Net Profit Margin, Degree of Financial Leverage, Degree of Operating Leverage, Dividend Payout Ratio
7	Company Value	Price to Book Value, Earnings Per Share, Share Price

The data used is secondary data obtained from the annual reports of each bank and other information from the internet collected by researchers to complete the research data. Then, researchers will process the data that has been collected using Smart PLS, and the processed data results will be presented for analysis and proof of hypotheses. From the analysis and proof of hypotheses, implications and conclusions will be given from the research that has been done.

Conceptual Framework

The relationship between research variables can be described as a conceptual framework in Figure 1. With the following hypotheses:
H_1 Macro Fundamentals have a significant effect on Financial Risk
H_2 Macro Fundamental has a significant effect on Capital Structure
H_3 Macro Fundamentals have a significant effect on Company Characteristics
H_4 Macro Fundamental has a significant effect on Ownership Structure
H_5 Macro Fundamentals have a significant effect on Financial Performance
H_6 Macro Fundamentals have a significant effect on Firm Value
H_7 Financial Risk has a significant effect on Capital Structure
H_8 Financial Risk has a significant effect on Company Characteristics
H_9 Financial Risk has a significant effect on Ownership Structure
H_{10} Financial Risk has a significant effect on Financial Performance
H_{11} Financial Risk has a significant effect on Firm Value
H_{12} Capital Structure has a significant effect on Company Characteristics
H_{13} Capital Structure has a significant effect on Ownership Structure
H_{14} Capital Structure has a significant effect on Financial Performance
H_{15} Capital Structure has a significant effect on Firm Value
H_{16} Company characteristics have a significant effect on financial performance
H_{17} Company Characteristics have a significant effect on Ownership Structure
H_{18} Company Characteristics have a significant effect on Firm Value
H_{19} Ownership Structure has a significant effect on Financial Performance
H_{20} Ownership Structure has a significant effect on Firm Value
H_{21} Financial Performance has a significant effect on Firm Value

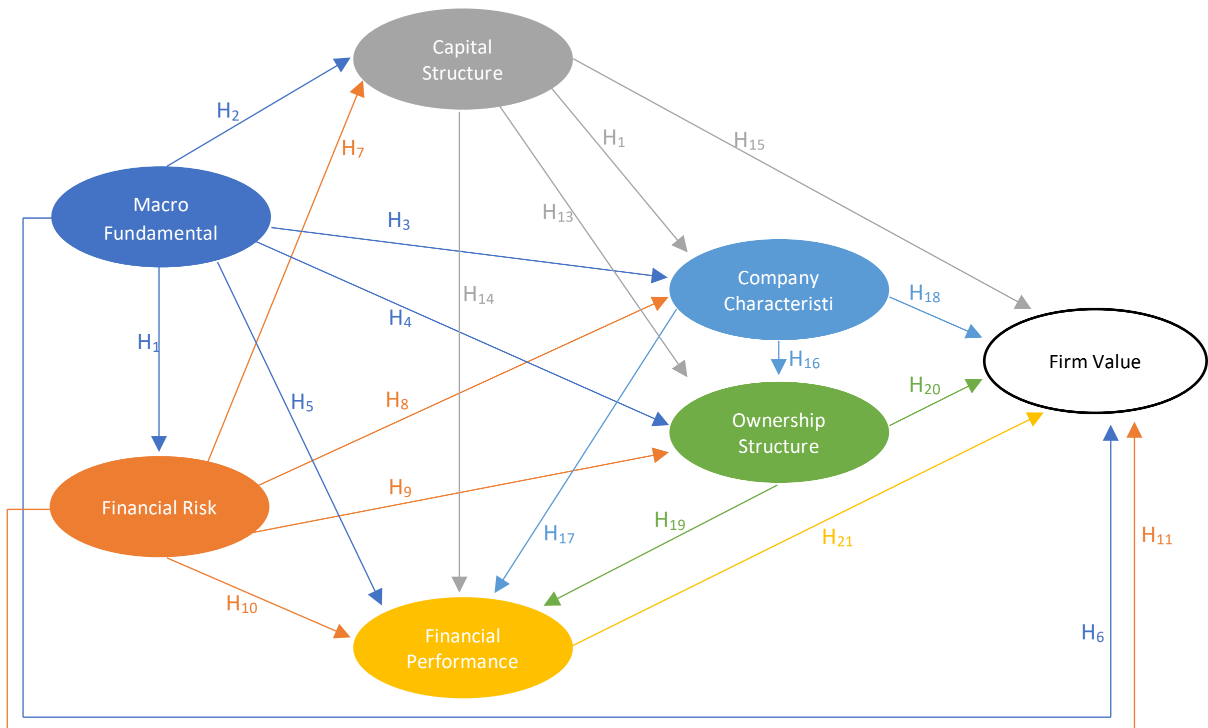

Figure 1. Conceptual Framework

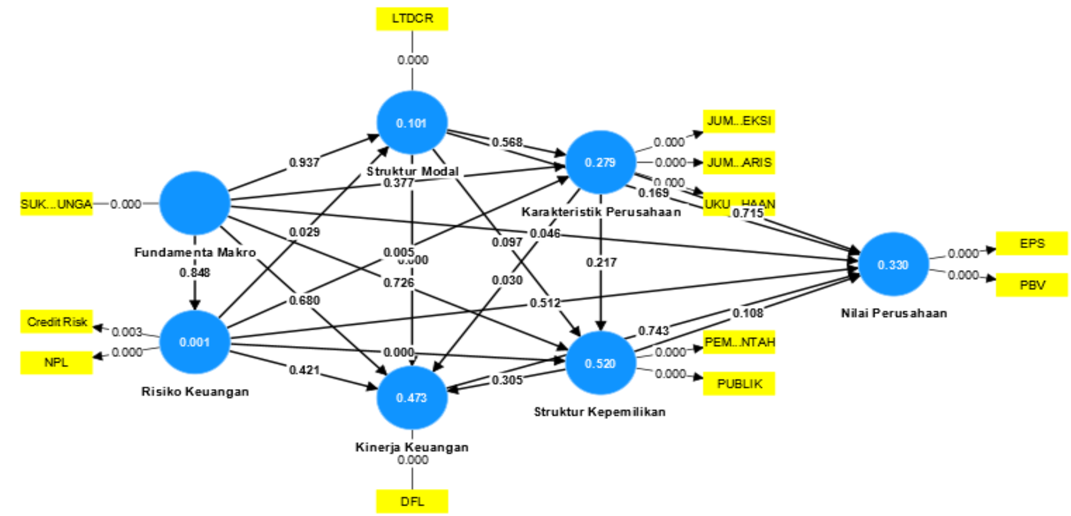

Figure 2. Bootstraping Result Test

Research Model Test

The measurement model is assessed using reliability and validity. For reliability, Cronbach's Alpha can be used. This value reflects the reliability of all indicators in the model. The minimum value is 0.7. In the outer model, we recognize 2 types / types of indicator relationships on the construct, so testing is carried out according to the form of the indicator, namely reflective indicators and formative indicators Ghozali, (2016). After conducting research tests with bootstrapping on Smart PLS 4, the results are as shown in Figure 2. So the macro fundamental indicators only have interest rates, the remaining financial risk indicators are credit risk and non-performing loans, the intervening variable indicators of capital structure are long term debt to capital, the remaining company characteristics are the number of directors, the number of commissioners, and company size, the remaining ownership structure indicators are government ownership and public ownership, the financial performance indicators are

only financial leverage measures, and the dependent variable indicators of firm value are earnings per share and price to book value ratio.

4. Results

The results of the discussion of the hypothesis and the relationship of the variables studied in the 10 largest Indonesian banks listed on the Indonesia Stock Exchange in 2019-2022 after bootstrapping, are described in table 2.

Table 2. Hypothesis Testing Result

Ha	Relationship Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Significant
H_1	Macro Fundamentals -> Financial Risk	-0.036	-0.057	0.188	0.191	0.848	Not Significant
H_2	Macro Fundamental -> Capital Structure	-0.013	0.005	0.159	0.079	0.937	Not Significant
H_3	Macro Fundamentals -> Company Characteristics	0.118	0.106	0.133	0.884	0.377	Not Significant
H_4	Macro Fundamental -> Ownership Structure	0.041	0.049	0.116	0.35	0.726	Not Significant
H_5	Macro Fundamentals -> Financial Performance	-0.044	-0.057	0.107	0.412	0.68	Not Significant
H_6	Macro Fundamental -> Company Value	-0.206	-0.19	0.103	1.993	0.046	Significant
H_7	Financial Risk -> Capital Structure	0.317	0.357	0.145	2.185	0.029	Significant
H_8	Financial Risk -> Company Characteristics	0.544	0.52	0.194	2.798	0.005	Significant
H_9	Financial Risk -> Ownership Structure	0.618	0.61	0.163	3.787	0	Significant
H_{10}	Financial Risk -> Financial Performance	-0.169	-0.197	0.211	0.804	0.421	Not Significant
H_{11}	Financial Risk -> Firm Value	0.157	0.156	0.24	0.655	0.512	Not Significant
H_{12}	Capital Structure -> Firm Characteristics	-0.111	-0.108	0.195	0.571	0.568	Not Significant
H_{13}	Capital Structure -> Ownership Structure	-0.261	-0.252	0.157	1.662	0.097	Not Significant
H_{14}	Capital Structure -> Financial Performance	-0.547	-0.507	0.155	3.538	0	Significant
H_{15}	Capital Structure -> Firm Value	0.352	0.322	0.256	1.375	0.169	Not Significant
H_{16}	Company Characteristics -> Ownership Structure	0.211	0.216	0.171	1.235	0.217	Not Significant
H_{17}	Company Characteristics -> Financial Performance	0.312	0.303	0.144	2.165	0.03	Significant
H_{18}	Company Characteristics -> Company Value	0.067	0.102	0.184	0.365	0.715	Not Significant
H_{19}	Ownership Structure -> Financial Performance	0.188	0.197	0.183	1.026	0.305	Not Significant
H_{20}	Ownership Structure -> Firm Value	-0.347	-0.357	0.216	1.606	0.108	Not Significant
H_{21}	Financial Performance -> Company Value	-0.058	-0.03	0.177	0.327	0.743	Not Significant

Macro fundamentals with interest rates have a positive influence of 11.8% and an insignificant 37.7% on company characteristics with indicators of the number of boards of directors and commissioners, and company size. This rejects research Hwihanus & Narastri, (2020) which states that macro fundamentals with indicators of exchange rates and gross domestic product (GDP) show a significant influence of 12% with a significance level of 95% on the characteristics of companies with the same indicators.

Macro fundamentals have a negative influence of 4.4% and an insignificant 68% with the interest rate indicator on financial performance with the degree of financial leverage (DFL) indicator. This study is different from research which states that macro fundamentals have a negative and significant effect on financial performance by Hwihanus et al., (2019) and also rejects research Hwihanus & Ramadhani, (2019) with the results of financial performance influenced by significant positive macro fundamentals. Research C. R. Opod, (2015) accepted by researchers, because it states that macro fundamentals have an insignificant effect on the company's financial performance.

Firm value is influenced by macro fundamentals with interest rates having a negative influence of 20.6% and a significant 4.6%. Researchers reject the research results C. R. Opod, (2015); Hwihanus et al., (2019); Sudiyatno, (2010), because these studies analyze macro fundamentals have a negative and insignificant effect on foreign exchange rate indicators.because the study analyzes macro fundamentals have a negative and insignificant effect on indicators of foreign exchange rates and GDP will increase company value and also reject research Wardani et al., (2021) and shows that macro fundamentals have a significant positive effect with PER, EPS and ROA indicators.

Macro fundamentals with interest rates have a negative effect of 3.6% and an insignificant 84.4% on credit risk and non-proforming loans on financial risk. Researchers accept research Ferranti & Yunita, (2015); Julduha & Kusumawardhani, (2013) which results in interest rate testing having an insignificant effect on risk with an indicator of changes in market returns. As well as rejecting research Ni'mah, (2013); Pangemanan, (2013); Sudiyatno & Nuswandhari, (2009) which states that there is a significant influence between interest rates on risk.

Macro fundamentals with interest rates have a positive influence of 4.1% and an insignificant 72.6% on ownership structure with government and public ownership indicators. This study rejects research Hwihanus & Narastri, (2020); Hwihanus & Ramadhani, (2019) which states that macro fundamentals have a significant effect with indicators of government, foreign and managerial ownership. As well as accepting research Hwihanus & Ramadhani, (2019) which concluded that the ownership structure with managerial ownership indicators is influenced by positive macro fundamentals of 0.027 and significant.

Capital structure is influenced by macro fundamentals with a negative interest rate indicator of 1.3% and insignificant at 93.7%. Researchers reject research Hwihanus & Ramadhani, (2019) because it states that macro fundamentals have a positive and significant effect on capital structure with DER, DAR, and LDER indicators.

Company characteristics with the number of boards of directors and commissioners, as well as company size have a positive influence of 31.2% and a significant 3% on financial performance with the degree of financial leverage (DFL) indicator. This accepts research Marchyta & Astuti, (2015); Pervan & Visic, (2012); Raheman et al., (2007) which results in financial performance with ROE indicators being influenced by company characteristics with positive and significant company size indicators.

Firm value with PBV and EPS indicators is influenced by company characteristics with indicators of the number of boards of directors and commissioners, as well as positive company size of 6.7% and insignificant at 71.5%. This research is different from research Indriyani, (2017); Irawan & Kusuma, (2019); Sofia & Akhmadi, (2018) which concluded that company size has a significant effect on firm value.

Company characteristics with the number of boards of directors and commissioners, as well as company size have a positive influence of 21.1% and an insignificant 21.7% on ownership structure with indicators of government and public ownership. This is different from research Hwihanus & Narastri, (2020) with the results of research on company characteristics having a positive and significant effect of 77.17 on the ownership structure.

Financial performance has a negative influence of 5.8% and is not significant at 74.3% with the degree of financial leverage indicator on PBV and EPS indicators on firm value. Researchers reject research that states that financial performance of firm value has a positive and significant influence from researchers Dwipartha, (2013); Ukhriyawati et al., (2013), as well as rejecting research that states that financial performance of firm value has a positive and significant influence on firm value, as well as rejecting research Hwihanus et al., (2019); Mumtazah & Purwanto, (2020) which shows that financial performance has a positive and significant effect on firm value in the form of EPS, PBV and Tobin's Q

will increase. But accept the conclusions of Agustina & Ardiansari, (2015) which states that Return on Equity has a negative and insignificant effect on firm value with the PER indicator.

Financial risk with credit risk and non proforming loans has a positive influence of 54.4% and is significant at 0.5% on company characteristics with indicators of the number of boards of directors and commissioners, and company size. This research has not existed before so this research can be used as a renewal, as well as a pioneer in further research.

Financial performance with the degree of financial leverage (DFL) indicator is influenced by negative financial risk of 16.9% and is not significant at 42.1%. This research is different from research Dramawan, (2015) which found that financial risk has a positive effect on financial performance with pofitability so that the increase in financial risk will increase profitability. But accepting research that states financial risk has a negative effect on company profitability, with the argument that companies that have increased financial risk will experience difficulties in obtaining external funds, thereby reducing profitability by Booth et al., (2001); Chen, (2003).

Financial risk with credit risk and non proforming loans has a positive influence of 15.7% and an insignificant 51.2% on firm value with PBV and EPS indicators. Researchers reject research Dramawan, (2015); Mumtazah & Purwanto, (2020) which states that NPL in this study reflects the amount of credit risk on the same object, NPL is negatively but not significantly related to firm value. Meanwhile, research Arief et al., (2014) is also rejected which states that firm value with stock price indicators is influenced by significant negative risk.

Financial risk with credit risk and non-performing loan has a positive influence of 61.8% and significant at 0% on ownership structure with government and public ownership indicators. This research has not existed before so this research can be used as a renewal, as well as a pioneer in further research.

Capital structure with long term debt to capital (LTDC) indicator is influenced by positive financial risk of 31.7% and significant of 2.9% with credit risk and non proforming loan indicators. This research is different from the research of Bhawa & S., (2015); Seftianne & Handayani, (2011) which results in research that business risk has a positive and insignificant effect on capital structure. As well as accepting the results of research stating that capital structure is influenced by business risk which is positively significant by (Wimelda & Marlin, 2015).

Indicators of government and public ownership in the ownership structure have a positive effect of 18.8% and an insignificant 30.5% on financial performance with the degree of financial leverage (DFL) indicator. Research Aprianingsih & Yushita, (2016); Hwihanus et al., (2019); Hwihanus & Ramadhani, (2019); Purwati et al., (2018) rejected by researchers, because Hwihanus' research shows that the structure of foreign, managerial and government-owned share ownership has a negative and insignificant effect on financial performance. As well as rejecting research Dat, (2013); Sabrina & Muharam, (2015) which states that government ownership has a significant positive effect on ROA.

Firm value with PBV and EPS indicators is influenced by ownership structure negatively by 34.7% and insignificantly by 10.8%. This rejects research which states that ownership structure has a negative and significant effect on firm value by Hwihanus et al., (2019), and researchers reject research Sugiharto et al., (2016) which shows that firm value is positively and significantly influenced by managerial ownership. But researchers accept research Alamsyah & Muchlas, (1997) which analyzes that ownership structure has no effect on firm value.

Capital structure with long term debt to capital (LTDC) has a negative influence of 11.1% and an insignificant 56.8% on company characteristics with indicators of the number of boards of directors and commissioners, and company size. This research has not existed before so this research can be used as a renewal, as well as a pioneer in further research.

Capital structure has a negative effect of 54.7% and significant at 0% with long term debt to capital (LTDC) on financial performance with the indicator of degree of financial leverage (DFL). This researcher accepts the research of Hwihanus & Ramadhani, (2019); Komara et al., (2014) which states that capital structure has a negative effect of 0.57 and significant on financial performance with indicators of NPM, ROA, and ROE. But rejected the research Lindayani & Dewi, (2016) with the results of research on capital structure with DER indicators having a positive and significant effect on financial performance.

Capital structure with long term debt to capital (LTDC) has a positive influence of 35.2% and insignificant of 16.9% on firm value with PBV and EPS indicators. This accepts research Irawan & Kusuma, (2019); Suryani, (2015); Utomo & Christy, (2017) which shows that capital structure has no significant effect on firm value and accepts research on capital structure (DER) has a positive effect on firm value by Ramdhonah et al., (2019). But rejecting research Hamidy et al., (2015); Prastuti & Sudiartha, (2016) which found that firm value is influenced by a positive and significant capital structure.

Capital structure with long term debt to capital (LTDC) has a negative influence of 26.1% and an insignificant 9.7% on ownership structure with government and public ownership indicators. This research has not existed before so this research can be used as a renewal, as well as a pioneer in further research.

Macro fundamentals through capital structure affect firm value by 0.158. Compared to macro fundamentals through company characteristics affect firm value by 0.241. Compared to macro fundamentals through ownership structure affects firm value by 0.078. Compared to macro fundamentals through financial performance affects firm value by 0.505. While macro fundamentals through capital structure, company characteristics, ownership structure, and financial performance have an influence on firm value of 0.026. So that the company value has a better value if macro fundamentals affect the company value through financial performance. Due to the influence of macro fundamentals directly, it also has an influence of only 0.046 on firm value.

Financial risk has an influence on firm value through capital structure of 0.004. Compared to financial risk has an influence on firm value through company characteristics by 0.003. Compared to financial risk has an influence on firm value through ownership structure of 0. Compared to financial risk has an influence on firm value through financial performance of 0.31. While financial risk through capital structure, company characteristics, ownership structure, and financial performance has an influence on firm value of 0.001. But the influence of financial risk directly has a greater influence of 0.512 on firm value.

5. Discussion

The results showed that macro fundamentals have a significant effect on firm value in the banking industry listed on the Indonesia Stock Exchange. This shows that the macroeconomic conditions faced by the company have an influence on investor assessments of the company. While financial risk does not have a significant effect on firm value, it means that financial risk will not affect investors' decisions in investing capital. More specifically, macro fundamentals that have a significant effect on firm value are economic growth, interest rates, and inflation. High economic growth indicates a positive economic outlook, which can increase firm value. Low interest rates can reduce the company's cost of capital, thereby increasing the company's value. Low inflation can increase people's purchasing power, so that it can increase company income, and ultimately increase company value. Meanwhile, financial risks that have an insignificant effect on firm value are *non-preforming* loans, credit risk, operational risk, and liquidity risk. High credit risk indicates that it will not have a significant impact on the risk of high defaults. High operational risk indicates the risk of high operational disruption will not significantly reduce the value of the company. High liquidity risk indicates the risk of changes in asset prices that will not affect the value of the company.

Capital structure, firm characteristics, ownership structure, and financial performance act as intervening variables in this study. Capital structure has a significant effect on financial performance. Firm characteristics have a significant effect on financial performance. Ownership structure has no significant effect on firm value. Financial performance has no significant effect on firm value directly. An optimal capital structure can improve the company's financial performance, thus increasing the company's value. Good company characteristics, such as company size, number of directors and number of commissioners, can increase firm value. A diversified ownership structure has not been able to improve the company's financial performance, so it may not affect the company's value. Good financial performance cannot directly increase firm value, which should show the company's ability to generate profits and cash flow.

Overall, this study shows that macro fundamentals, financial risk, capital structure, firm characteristics, ownership structure, and financial performance have an influence on firm value in the banking industry listed on the Indonesia Stock Exchange. The results of this study can be useful for investors and companies in understanding the factors that affect firm value. Thus, based on the variables of this study, firm value is influenced by macro fundamentals, financial risk, capital structure, company characteristics, ownership structure, financial performance by 0.330 or 33%. So that 67% is influenced by variables outside the study.

6. Research Implications

Theoretical Implications

Bank management functions in increasing the value of the company and the welfare of investors through an increase in net profit generated which is influenced by macro fundamentals, financial risk, capital structure, company characteristics, ownership structure and financial performance, as well as other variables outside the study. Management must also ensure transparency, accountability and compliance with relevant regulations to gain the trust of stakeholders and increase firm value. By involving relevant variables, this research can also serve as a foundation for developing a more comprehensive research model that can be applied to other bank companies.

Managerial Implications

It is important for bank management to understand the risks and opportunities associated with such exposures. Management needs to develop effective risk management strategies due to fluctuations in the economy. The government ownership structure in the largest banks in Indonesia gives the government as the state control holder the power to determine the policies and welfare of Indonesia. Hence the need to consider government policy directives when formulating corporate strategy. This includes ensuring alignment between the commercial objectives of the bank and the social and economic mandates expected by the government.

7. Conclusions, Limitations, and Suggestions

Conclution

Based on the research results, it can be concluded that Macro fundamentals, which consist of economic growth, interest rates, and inflation. High macro fundamentals can increase company value, while low macro fundamentals can decrease company value. Financial risk, which consists of non-performing loans, credit risk, operational risk, and liquidity risk. High financial risk has no significant effect on firm value. Capital structure, which has a significant effect on the company's financial performance, so that it can increase the company's value. Company characteristics, which consist of company size, number of directors and number of commissioners, have a significant effect on the company's financial performance, so as to increase firm value. Ownership structure, which has no significant effect on firm value. Financial performance, which has no significant effect on firm value directly. Macro fundamentals with interest rate indicators have a significant effect on firm value. Company characteristics with indicators of the number of directors, number of commissioners, and company size have a significant effect on financial performance. Financial risk with credit risk and non-performing loan indicators has a significant effect on company characteristics. Financial risk with indicators of credit risk and non-performing loans has a significant effect on ownership structure. Financial risk with indicators of credit risk and non-performing loans has a significant effect on capital structure. Capital structure with indicators of long-term debt to capital has a significant effect on financial performance. While other than the six hypotheses above, the research shows an insignificant effect on firm value.

Limitations and Suggestions

This study has limitations, namely the research period of only 5 years is too short for the size of panel data, so it is hoped that future researchers will add samples or periods, and can use other analytical techniques to produce better and more accurate research.

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