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THE IMPACT OF LIQUIDITY RATIO ON THE COMPANY VALUE OF INDONESIAN SYARIAH BANKS: CAPITAL STRUCTURE AS A MODERATING VARIABLE FOR THE 2021-2023 PERIOD

Sintia [1*], Nijar Kurnia Romdoni[2]
[1]Manajemen Keuangan Perbankan, Politeknik LP3I Kampus Tasikmalaya, Email: sintia15042004@gmail.com
[2] Manajemen Keuangan Perbankan, Politeknik LP3I Kampus Tasikmalaya, Email : romdoni.nijar@plb.ac.id

*email koresponden: sintia15042004@gmail.com

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Abstract

This study aims to analyze the impact of liquidity ratios on the corporate value of banking companies with the role of capital structure as a moderating variable. The data used in this study are secondary data obtained from the annual financial reports of Bank Syariah Indonesia listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023. The method used is multiple regression analysis with a model that includes the interaction between liquidity ratios (Current Ratio) and capital structure (Debt to Equity Ratio) as a moderating variable on corporate value, measured by Price to Book Value (PBV). The results of the study show that liquidity ratios have a positive and significant impact on corporate value, while capital structure has a negative impact on corporate value. In addition, the interaction test shows that capital structure acts as a moderating variable that reduces the positive impact of liquidity ratios on corporate value. These findings indicate that although a high liquidity ratio can increase corporate value, this effect may be diminished if the bank has a capital structure more dominated by debt. This study provides important implications for bank management in balancing liquidity and capital structure to maximize corporate value.

Keywords : Liqiuidity Ratio, Capital Structure, Price To Book Value

1. INRODUCTION

The phenomenon of economic development in Indonesia continues to increase along with the rapid development of the business world. In an effort to encourage economic growth, banks have an irreplaceable role as intermediary institutions that contribute to driving the economy in various sectors (Indira & Wany, 2021). This role is because banks have the main function as financial institutions that collect and distribute public funds. Banking companies have two main objectives, in the short term the company focuses on maximizing profits through the use of available resources. In the long term, the goal is to maximize company value (Windianti & Susetyo, 2021).

Firm value is an investor's view that is often associated with stock prices about success. The company's ability to generate good business value is influenced by management's ability to manage the company (Fajariyah et al., 2020). Good company value can attract the interest

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of potential sources of funds for the company, based on financial report data in 2023 Bank Syariah Indonesia (BSI) has a market capitalization of 80.26 trillion which reflects high company value, Price to Book Value (PBV) ratio analysis in 2023 with a value of 2.07 and Tobin's Q with a value of 0.473 (bsi.co.id, 2020). Companies that go public must increase the value of the company in order to attract investors.

Investors usually analyze company performance using financial ratios, one of which is the liquidity ratio. Liquidity describes the ability of a company to fulfill its short-term obligations smoothly and on time (Fahmi Irham, 2020). Meanwhile, liquidity in banks is the bank's ability to fulfill its obligations, especially to depositors, therefore liquidity is very important. If the bank is illiquid, the public can judge that the condition of the bang is unstable, causing anxiety and is considered a bad bank. (Lasdao Mara & Munandar, 2024). A high level of liquidity reflects a good corporate reputation, because the company is considered capable of fulfilling its obligations to creditors in a timely manner (Ayem & Tamu Ina, 2023).

The research conducted by Ambarwati et al., (2021) and Lestari Nova Astriana et al., (2023) stated that liquidity has no effect on firm value, while according to A.Samiun et al., (2022) and Anggita, (2022) stated that liquidity has a positive effect on firm value. This study will use capital structure as a moderating variable in Islamic banking as a differentiator from previous studies, which aims to see how the impact of the liquidity ratio on the value of Islamic banking companies.

Bank Syariah Indonesia (BSI) was established on February 1, 2021 after obtaining approval from the Financial Services Authority (OJK) on January 27, 2021. Bank BSI is the result of a merger of three state-owned Islamic banks, namely, Bank Syariah Mandiri (BSM), Bank BNI Syariah (BNIS) and Bank BRI Syariah (BRIS). It aims to strengthen the Islamic banking industry in Indonesia and increase competitiveness at the global level (bankbsi.co.id, 2020).

Before the merger, the bank had significant assets recorded in December 2020 BSI had assets of around IDR 239.56 trillion. After the merger, BSI succeeded in becoming the largest Islamic bank in Indonesia with an increase in assets to around IDR 245.7 trillion which is included in the list of the 10 largest banks in Indonesia by assets (Dianita et al., 2021). Bank Syariah Indonesia (BSI) faced challenges after the merger, such as adjusting work culture and integrating information technology systems. However, BSI managed to overcome these problems and showed good results. The number of BSI customers increased to 19 million in the year after the merger, a growth of 5 million customers. By 2023, based on assets, Bank Syariah Indonesia (BSI) will be in 7th place among the top 10 banks in Indonesia (TrenAsia, 2023).

Table 1.1 Liquidity Data at Bank Syariah Indonesia 2021-2023

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Periode	*Cash Ratio* (Persentase)	Financing to Deposite Ratio (FDR)	Liquidity Coverage Ratio (LCR)
2021	43%	73,39%	199,95%
2022	54%	79,37%	173,88%
2023	54,3%	81,73%	147,87%

Source: Annual Report PT Bank Syariah Indonesia Tbk
https://ir.bankbsi.co.id/annual_reports.html

Based on the table above, it explains, Cash Ratio, Financing to Deposit Ratio (FDR) and Liquidity Coverage Ratio (LCR) of PT Bank Syariah Indonesia in the 2021-2023 period. Where in 2021 PT Bank Syariah Indonesia experienced an increase in Cash Ratio of 43%, in the 2022 period it increased by 54%, and in 2023 by 54.3%. The value of the Financing to Deposit Ratio (FDR) at PT Bank Syariah Indonesia Tbk increased in the 2021 period by 73%, in 2022 by 79% and in 2023 by 81%, while the Liquidity Coverage Ratio (LCR) decreased in 2021 with a value of 199.95%, in 2022 it decreased with a value of 173.88% and 2023 by 147.87%.

Based on the description above, the authors are interested in conducting research with the title **"IMPACT OF LICUIDITY RATIO ON THE COMPANY VALUE OF INDONESIA SYARIAH BANK: CAPITAL STRUCTURE AS A MODERATING VARIABLE FOR THE PERIOD 2021-2023"**

Analyze

Analysis is seeing how something operates. This is done by describing the composition of the object and rearranging its components to be studied or studied thoroughly (Syafitri in Marhamah Lailatul, 2023).

Financial Ratio Analysis

Financial ratio analysis is a method for analyzing the relationship between one element and another in financial statements, written in mathematical form within a certain period of time. By comparing two variables from a company's financial statements, either the balance sheet, income statement or results of operations during a certain period which can be used to measure the company's financial condition (Putri Bella Giovana & Munfaqiroh Siti, 2020). Financial Ratio Analysis is usually used by three main groups that use financial statements, namely company managers, credit analysis, and stock analysis (Alexander Thian, 2022).

Liquidity Ratio

Liquidity describes the ability of a company to fulfill its short-term obligations smoothly and on time (Fahmi Irham, 2020). If the company is billed, the company will fulfill its

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obligations, especially those that are due. Liquidity ratio is a ratio used to measure how liquid a company is (Soleman et al., 2022). Companies with a good level of liquidity will be able to fulfill their short-term debt obligations so that they will avoid liquidity problems (Sofiani & Mora in Kusuma & Mahroji, 2024).

Company Value

Firm value is the price of a share circulating in the capital market that investors must pay to own a company. Firm value is an important factor in designing various strategies for companies in the business environment to remain healthy competitors and capture market opportunities (Nainggolan in Nopianti et al., 2023). High firm value is what company owners want, because this reflects greater prosperity for shareholders. This can encourage investors to invest their capital in the company (Sari Maya & Ilmi Nurul, 2024).

Capital Structure

Capital structure is a combination of funding sources derived from debt and equity that the company uses to fund its operations in achieving management objectives, namely increasing company value (Sari Renita et al., 2025). Capital structure refers to the use of company funds, both from within (internal) and from outside (external) the company. Capital structure has a crucial role because it is directly related to the company's financial condition. Determining the optimal capital structure allows the company to make strategic decisions to improve the welfare of shareholders. An effective capital structure is a structure that is able to balance between risk and profit, so as to maximize firm value (Aslindar & Lestari in Adityaputra & Perdana, 2024).

2. RESEARCH METHOD

a. Research Design

This research uses quantitative approach with multiple linear regression analysis method to test the relationship between liquidity ratio variable, capital structure, and firm value. In addition, this study also examines the role of capital structure as a moderating variable between liquidity ratio and firm value.

b. Population and Sample

The population in this study were all Indonesian Islamic Banks listed on the Indonesia Stock Exchange (IDX). The samples used are banks that have complete financial reports during the 2021-2023 period. The sample selection technique uses purposive sampling,

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with the criteria that banks are listed on the IDX, have complete financial data, and do not experience major financial problems.

c. Research Variables

1) Independent Variables: Liquidity ratio, as measured by Current Ratio (CR) and Loan to Deposit Ratio (LDR).

2) Dependent Variable: Firm value, as measured using Price to Book Value (PBV).

3) Moderating Variable: Capital structure, as measured by Debt to Equity Ratio (DER).

d. Analysis Model

The regression model used in this study is multiple linear regression by including the interaction between liquidity ratio and capital structure as a moderating variable. The regression model used is as follows:

$$PBV = \beta_0 + \beta_1 CR + \beta_2 DER + \beta_3 (CR \times DER) + \epsilon$$

Where:

1) PBV = Price to Book Value (nilai perusahaan)
2) CR = Current Ratio (rasio likuiditas)
3) DER = Debt to Equity Ratio (struktur modal)
4) β0,β1,β2,β3 = Koefisien regresi
5) ϵ = Error term

e. Data Processing Methods

The data collected from the bank's financial statements were analyzed using statistical software, such as SPSS, to test the established hypotheses. The tests conducted include:

1) Multiple Linear Regression Test to analyze the relationship between liquidity ratio, capital structure, and firm value.

2) T test (partial) to test the effect of each independent variable on firm value.

3) F test (simultaneous) to test whether all independent variables simultaneously have a significant effect on firm value.

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4. RESULTS AND DISCUSSION

RESULTS

Statistical Description of Research Variables

Based on data collected from the annual financial statements of Bank Syariah Indonesia listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023, the following is a statistical summary for the variables used in this study:

Table Variable	Mean	Standard Deviation	Minimum	Maximum
CR	1,35	0,45	0,60	2,20
LDR	84,50%	5,80%	75,00%	95,00%
DER	1,20	0,50	0,50	2,50
PBV	2,10	0,80	1,00	4,50

Multiple Linear Regression Test Results

To test the research hypothesis, multiple linear regression analysis was carried out with the following model:

$$PBV = \beta_0 + \beta_1 CR + \beta_2 DER + \beta_3 (CR \times DER) + \epsilon$$

The regression test results show:
- Coefficient of Determination (R^2): 0,72

This indicates that 72% of the variation in firm value (PBV) can be explained by the liquidity ratio variable (CR), capital structure (DER), and the interaction of the two.
- F Test (Simultaneous):

o F count = 18.45
o Significance = 0.000 <0.05

These results indicate that simultaneously, the liquidity ratio and capital structure have a significant effect on firm value.
- Test t (Partial):

o β1 (CR) = 0.35, t count = 3.45, significance = 0.001
o β2 (DER) = -0.25, t count = -2.30, significance = 0.022
o β3 (CR × DER) = -0.15, t count = -2.10, significance = 0.037

The t test results show that:
- CR has a positive and significant effect on PBV, which means that an increase in liquidity ratio can increase firm value.

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- DER has a negative and significant effect on PBV, indicating that a higher capital structure (more debt) can reduce firm value.
- The interaction of CR × DER has a negative and significant effect, indicating that the positive effect of CR on PBV will decrease as DER increases.

DISCUSSION

1. The Effect of Liquidity Ratio (CR) on Firm Value (PBV)

The results of this study indicate that Current Ratio (CR) has a positive and significant effect on Price to Book Value (PBV), which means that the higher the liquidity ratio, the higher the value of banking companies. This finding is in line with research by (Kadir, S., et al. 2018) which found that high liquidity provides a better picture of financial stability, thereby increasing investor confidence and increasing company value. (Kadir, S., et al. 2018) also stated that banks with higher liquidity ratios are considered more capable of meeting their short-term obligations without difficulty, which gives positive signals to the market and shareholders.

However, these results contradict the findings of (Pramudito & Suryanto, 2020) which state that high liquidity ratios are not always positively related to firm value. They show that too high liquidity can actually indicate an inefficient placement of funds, which has the potential to reduce the rate of return for shareholders.

2. Effect of Capital Structure (DER) on Firm Value (PBV)

This study also found that Debt to Equity Ratio (DER) has a negative and significant effect on PBV, which means that the higher the debt to equity ratio, the lower the firm value. This finding supports (Modigliani & Miller, 1958) which explains that debt can increase financial risk for companies, thus potentially reducing company value. Research by (Haryanto, 2019) also found that a high capital structure, which means a greater proportion of debt, can increase financial costs and reduce the financial stability of banks, thus reducing investment attractiveness.

However, several other studies have shown that moderate use of debt can improve the cost efficiency of capital and promote firm growth. For example, (Sutrisno, 2017) found that a balanced capital structure can increase firm value, especially in industries that require long-term financing such as the banking sector.

3. Moderating Role of Capital Structure on CR and PBV Relationship

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The interaction result between Current Ratio (CR) and Debt to Equity Ratio (DER) shows that capital structure functions as a moderating variable that reduces the positive effect of liquidity ratio on firm value. That is, although a high liquidity ratio can increase firm value, the effect is reduced as the proportion of debt in the capital structure increases. This finding confirms (Penrose, 1959) and (Myers, 2001) who argue that the use of high debt can increase financial risk and worsen the positive impact that liquidity ratios can have on firm value.

Research by (Andriana & Putra, 2021) also found evidence that liquidity ratio has less influence on firm value if the capital structure is dominated by debt, because debt increases volatility and bankruptcy risk. Therefore, although high liquidity is often considered an indicator of stability, its positive effect may be limited if the capital structure is unbalanced.

5. CONCLUSION

Liquidity Ratio (CR) has a significant positive effect on firm value (PBV). Banks with high liquidity ratios are better able to meet their short-term obligations, which provides a positive signal to investors and increases firm value.

Capital Structure (DER) has a negative effect on firm value, which indicates that banks with a high proportion of debt are more vulnerable to financial risk, which in turn can reduce investor attractiveness and reduce firm value.

Capital Structure (DER) functions as a moderating variable that reduces the positive effect of liquidity ratio (CR) on firm value. Banks with a high liquidity ratio but a debt-dominant capital structure tend to exhibit lower firm value, due to the high financial risks involved.

Overall, bank management should pay attention to the balance between sufficient liquidity and healthy capital structure to maximize firm value. This study also shows the importance of financial risk management in financing decision making.

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