ISIR Journal of Arts, Humanities and Social Sciences (ISIRJAHSS)
ISSN: 3048-7463 (Online)
Frequency: Bimonthly
Published By ISIR Publisher
Journal Homepage Link- https://isirpublisher.com/isirjahss-home/

The Role of Capital Adequacy Ratio in Moderating LDR and NPL on the Corporate Value of National Commercial Banks

BY

Sochib[1], Fetri Setya Liyundira[2], Ani Yulianti[3] Nico Irawan[4]

Program Studi Akuntansi, Institut Teknologi dan Bisnis Widya Gama Lumajang, Indonesia[123]
Graduate School, Stamford International University Thailand[4]

Article History

Received: 15/092024
Accepted: 25/10/2024
Published: 31/10/2024

Vol – 1 Issue – 2

PP: -12-19

DOI:10.5281/zenodo.14050268

Abstract

This study aims to detect the predicted company value using the Loan Deposit Ratio (LDR) and Non-Performing Loan (NPL) variables moderated by the Capital Adequacy Ratio (CAR). The research population is conventional national commercial banks in Indonesia listed on the IDX for the 2017-2021 period. Using the sampling method, a sample of 24 banks was obtained which were analyzed using the Moderated Regression Analysis (MRA) technique with Partial Least Square (PLS). Measurement of company value using Tobin's Q with research results showing that the Loan to loan-to-deposit ratio (LDR) has a significant influence on company value. Non-Performing Loan (NPL) does not influence company value. Capital Adequacy Ratio (CAR) is unable to moderate the influence of LDR and NPL on company value. Capital adequacy formed in the form of CAR focuses more on the bank's resilience to possible risks due to funding risk and credit default risk.

Keywords: *LDR, NPL, CAR, Tobins Q*

INTRODUCTION

Every business management always focuses on achieving optimal profit and considering compensation to the company owners. The compensation that will be given by the company is perceived by shareholders as the company's value. Bank management seeks to align the needs of profitability and trust given by stockholders. Moreover, as an intermediary institution, the banking industry is expected to be able to manage the collection and distribution of Third Party Funds (TPF) well. The main income of the bank can be obtained by increasing the ability to distribute Third Party Funds to the community and the smooth return of principal and interest from debtors. The balance of these two aspects can produce profits that support the bank's financial performance.

The ability to channel third-party funds in the form of credit to the real sector community forms the Loan to loan-to-deposit ratio (LDR). This LDR factor is a bank's productive asset that generates profits with a positive spread difference. However, the credit that is distributed is always monitored so that its condition remains smooth and does not experience default from its debtors. This default condition causes credit quality to decline and causes credit collectibility problems. The level of default on distributed credit is called a Non-Performing Loan (NPL). The LDR and NPL factors are part of the bank's performance, namely the formation of profits. The LDR level shows the distribution of credit that forms profits while the NPL level which is a problematic credit will burden the bank's profit.

Company value is a reflection of the company's success in managing its resources according to investor assessments (Sulistyawati & Ratmono, 2023). According to Melda, Sumatriani, & Usman (2022), the importance of company value can affect banking operations because if management fails to maintain company value, this will reduce the trust of customers and other institutions that deposit funds in the bank. Company value, which consists of stock value and debt market value, is very important for management. Company value is not only the goal of managerial activities but also affects stock prices in the market. The market value of a company is the result of multiplying the company's stock market price by the number of shares outstanding (Imronudin, Waskito, Cantika, & Sofiardhani, 2023). Management seeks to optimize company value by seeking maximum profit, which ultimately benefits shareholders. A higher company value indicates an increase in welfare for owners and shareholders, which reflects the capital market's appreciation of the entity (Nurdin, Fitriaman, & Aqurat, 2023).

*Corresponding Author: **Sochib.**

Company value can fluctuate following the development of the company's fundamentals and market perception of the company's performance over a certain period. Low company value can occur due to company performance and market reaction to that performance. Especially in the banking sector, the main focus regarding company value is the LDR and NPL levels. Because LDR is a factor that creates profit and NPL triggers a decrease in profit. Fundamentally, the company's profit can reflect the company's value without looking at the stock price in the capital market. According to Muhammad & Aryani (2021) quoted from Iswajuni et al. (2018) stated that company value reflects how the financial market assesses the company and shows the level of investment given by investors. The importance of company value can affect banking businesses because the inability of bank management to maintain its company value will reduce the trust of customers and other institutions that deposit funds in the bank (Melda et al., 2022). Management carries out managerial and operational tasks to increase the company's value. The success of implementing management tasks is assessed based on the increase in the company's value. Increasing the overall company value can improve the stock price because the company's value is measured by the company's stock price (Husnan, 1987).

The activity of banks as intermediary institutions that collect surplus funds from the community and channel funds to the real sector community is the main task. The bank's activities form the bank's Loan Deposit Ratio (LDR) level. Banking activities manage productive assets depending on funds obtained from the community known as Third Party Funds (TPF) consisting of savings, current accounts, and deposits. These funds are the bank's obligations to customers which can be withdrawn at any time. Bank management is responsible for managing these TPFs by channeling them in the form of credit so that they are more productive. The hope is that credit distribution can optimally generate profits for the bank to cover operational costs and provide returns to shareholders. Management pays attention to the interests of investors and company owners by trying to improve welfare which is reflected in increased profitability. The results of research by Irianti & Saifi (2017), and Mumtazah & Purwanto (2020) state that LDR influences company value as measured by Tobins Q. While Lilis A. Kansil. Paulina Van Rate (2021), and Sari & Priantinah (2018) state that LDR does not influence company value.

In credit distribution, there may be debtors who do not pay their principal and interest obligations. These debtors are categorized as non-performing loans. Defaulted loans are credit collectibility for banks and form an unproductive portfolio. The level of failure to pay principal and interest on loans that is considered is called a Non-Performing Loan (NPL). The NPL factor contributes to the level of bank profitability. All aspects of NPL will be responded to by the capital market which will affect the value of the company. Research conducted by Sari & Priantinah (2018), Lilis A Kansil. Paulina Van Rate (2021), Fairuz, Wibowo, Setyadi, & Mudjiyanti (2023) state that NPL does not influence company value.

Banks need adequate capital to support their operations because sufficient investment from banks can strengthen financial activities. The capital that needs to be provided by the bank is known as the Capital Adequacy Ratio (CAR). By having sufficient capital, banks can strengthen their performance in carrying out operations. In addition, this capital also functions as a buffer against the risk of non-performing loans due to debtors who fail to fulfill their principal and interest payment obligations. CAR provides support for bank activities in carrying out their intermediation function to provide trust to the public. CAR also provides financial security support to strengthen overall banking capital. Lilis A Kansil. Paulina Van Rate (2021) stated that CAR influences company value. Research by Halimah & Komariah (2017) stated that CAR has a significant and negative influence on company value.

In this study, a research problem is formulated related to what factors affect the company's value. Whether LDR and NPL can affect the company's value, and whether CAR can strengthen the influence of LDR and NPL on the company's value as measured by the Tobins Q value. The purpose of this study is to empirically prove the influence of LDR and NPL on company value and the ability of CAR to moderate the relationship between LDR and NPL on company value. The results of this empirical study can contribute to the development of management theory and practice in the banking sector. The findings of this study are expected to provide benefits to company management, prospective investors and investors and financial analysts.

Company Values

Company value is an estimate of the overall price of a company in an operating business and investor perception of this value is usually related to the stock value in the market. Company value is the investor perception of the company which is related to the stock price (Suffah & Riduwan, 2016). When a banking institution conducts an initial public offering (IPO) and sells its shares in the capital market, this step is intended to increase the value of the company. The assessment of the company's performance by investors or shareholders is based on the value of the company. Increasing the value of the company also has a positive impact on investors or shareholders of the company. Company value is a criterion for investors or shareholders to assess the success of the company (Sochib et al, 2021). An increase in company value will cause an increase for investors or shareholders of the company. When the company value is high, investor confidence in the company also tends to increase (Suwardika & Mustanda, 2017).

Stock prices can be used as a representation of a company's value, while Tobin's Q serves as a tool to evaluate management performance in managing company assets. Tobin's Q reflects how the market values a company, providing investors with a useful view to analyze the fundamental aspects of a company's performance. The

*Corresponding Author: **Sochib.**

company's value represented by Tobin's Q refers to a metric that evaluates the relationship between a company's market value and its book value or assets. This Tobin's Q value is obtained by dividing the company's market value (i.e. the market value of its shares plus the value of its debt) by the company's book value or assets.

The market value of a company refers to the total value of shares traded on the stock market plus the value of the company's debt, while the book value or assets of the company are the values recorded in the accounting reports. If Tobin's Q value is greater than 1, it indicates that the market values the company higher than the book value of its assets. This condition may indicate the presence of intangible assets such as strong brands, advanced technology, or growth potential that are not yet reflected in the book value. Conversely, if Tobin's Q value is less than 1, it indicates that the market values the company lower than the book value of its assets, which may be caused by poor financial performance issues or high business risk.

Loan to Deposit Ratio

Loan Deposit Ratio (LDR) is a comparison between the amount of credit given by a bank to third parties in the form of Rupiah and foreign currencies, excluding credit to other banks with the total third-party funds collected in the form of current accounts, savings, and deposits in Rupiah and foreign currencies, without taking into account interbank funds (Bank Indonesia, 2015). LDR functions as an indicator to assess how much third-party funds have been distributed by the bank. In addition, LDR also reflects the level of bank liquidity to meet its short-term obligations.

The level of bank liquidity has the aim of maintaining the health of the bank and can also have speculative motives to maintain a more flexible level of liquidity. The concern lies when the Loan Deposit Ratio (LDR) is only intended as a key indicator in measuring credit distribution to the real sector based on the accumulation of third-party funds. The higher the LDR, the greater the proportion of customer funds used for loans, and can increase liquidity risk if there is a large withdrawal of funds by customers. A low LDR indicates that the bank has excess funds that are not used for loans and can reduce the potential for income from interest. The Bank Indonesia regulator through BI Circular Letter No. 15/41/DKMP regulates the calculation of GWM based on LDR that GWM LDR in rupiah with a lower limit of the LDR target of 78% and an upper limit of the LDR Target of 92% (Bank Indonesia, 2013). Irianti & Saifi (2017), and Mumtazah & Purwanto (2020) stated that the Loan to Deposit Ratio has a significant influence on company value.

H1: Loan to Deposit Ratio influences Company Value.

Non-Performing Loan

Non-Performing Loan (NPL) is a problematic credit caused by the payment of principal and/or interest from credit provided by the bank being delayed or not being able to be paid off by the debtor. Banking business income mainly depends on the activity of distributing public funds in the form of loans or credits that are expected to generate profits. It is important to monitor the credit that is distributed continuously so that the collectibility level remains smooth. To measure the collectibility of banking credit, there are criteria such as Current, Under Special Mention, Less Smooth, Doubtful, and Bad. A high collectibility level has a positive influence on company profits and can be an indicator of the capital market. The Non-Performing Loan (NPL) ratio is used to measure the comparison between the total amount of credit categorized as less smooth, doubtful, and bad to the total credit provided by the bank (Bank Indonesia, 2015).

H2: Non-Performing Loans affect Company Value.

Capital Adequacy Ratio

Equity plays an important role in the structure of a banking entity, acting as basic capital and supporting bank operations. In the development of banking which is full of competition, capital issues become an obligation that must be fulfilled by bank management. As an intermediary institution, it will be able to carry out its functions optimally. Banks are required to provide a minimum capital of 8% of the value of Risk Weighted Assets (Bank Indonesia, 2008). The role of capital in the banking industry is very significant, used for business expansion and operational activities, as well as to maintain liquidity (Sochib, 2016). Banks must meet the Minimum Capital Adequacy Ratio (CAR) standards set by Bank Indonesia and the Financial Services Authority. Bank capital requirements are dynamic, following the development of the bank's productive assets and the need to manage risk. Capital Adequacy Ratio (CAR) is an indicator that shows how capable the bank's capital is of bearing the risk of credit default. According to Bank Indonesia regulations, CAR is a ratio that measures the proportion of a bank's total risky assets funded by its capital compared to other sources of funds, both from other banks and external sources. Bank capital consists of core capital and supplementary capital, as well as the value of Risk-Weighted Assets (RWA) which is calculated based on the risk weight of each productive asset item on the balance sheet. The higher the CAR, the stronger the bank's financial position.

H3: Capital Adequacy Ratio can moderate the influence of LDR on Company Value

H4: Capital Adequacy Ratio can moderate the influence of NPL on Company Value

METHOD

This study is a quantitative study that focuses on the banking sector in Indonesia, especially conventional national commercial banks listed on the Indonesia Stock Exchange in the 2017-2021 period. Moderation regression research is where the independent variable affects the dependent variable with its influence becoming stronger or weaker if other variables appear as moderating variables (Ferdinand, 2006). The data analysis technique uses Partial Least Square (PLS). The sampling technique is used as a method of selecting samples to obtain research data (Sugiyono, 2015). By using the purposive sampling method approach, a representative research sample was obtained that represents its population.

*Corresponding Author: **Sochib.**

The sample selection criteria include conventional national commercial banks listed on the Indonesia Stock Exchange during the 2017-2021 period, which publish annual financial reports and make regular profits during the research period. Based on these criteria, 24 banking entities were obtained as research samples.

Company Values

Tobin's Q value can also be used as an indicator to assess the efficiency of investment allocation in a company. Increasing the value of the company is an important achievement because it also means increasing welfare for shareholders, who are the owners of the company. Some researchers who use the Tobins Q formula include researchers Sari & Priantinah (2018), Tanggo & Taqwa (2020), Anisa & Suryandari (2021), Sochib et al (2021). Calculation of Company Value using the following formula:

$$Tobins\ Q = \frac{Total\ Market\ Value + Total\ Book\ Value\ of\ Liabilities}{Total\ Book\ Value\ of\ Assets}$$

Loan to Deposit Ratio

Loan Deposit Ratio (LDR) is an indicator of the level of credit distribution to the real sector for the Third Party Funds it collects. The level of credit distribution is measured by LDR, and several researchers use the LDR formula, including Mumtazah & Purwanto (2020), and Lilis A Kansil. Paulina Van Rate (2021), Pracoyo & Ladjadjawa (2022). Calculation of Loan to Deposit Ratio (LDR) using the following formula:

$$LDR = \frac{Total\ Kredit\ yang\ diberikan}{Total\ Dana\ Pihak\ Ketiga}\ x\ 100\%$$

Non-Performing Loan

The classification of credits that are categorized as NPL include Substandard, Special Mention, and Loss. Those included in this category are credits that have failed to pay both principal and interest. The measurement of this credit failure uses NPL, and several researchers use this formula, including Irianti & Saifi (2017), Mumtazah & Purwanto (2020), Pracoyo & Ladjadjawa (2022), Sochib, Indrianasari, & Sholihin (2023). Calculation of Net Performing Loan (NPL) using the following formula:

$$NPL = \frac{Total\ Kredit\ Bermasalah}{Total\ Kredit}\ x\ 100\%$$

Capital Adequacy Ratio

Bank capital consists of core capital and supplementary capital and also takes into account the value of Risk-Weighted Assets (RWA) which is calculated based on the risk of each productive asset item on the balance sheet. The level of bank capital adequacy is measured by the Capital Adequacy Ratio (CAR), and several researchers use the line formula, namely researchers Sari & Priantinah (2018), and Lilis A. Kansil. Paulina Van Rate (2021) Sochib, Fetri setyo liyundiro (2023). Calculation of Capital Adequacy Ratio (CAR) using the following formula:

$$CAR = \frac{Total\ Modal}{Aset\ Tertimbang\ Menurut\ Risiko}\ x\ 100\%$$

This study is a moderation regression study where exogenous variables affect endogenous variables and the influence can be stronger or weaker when other variables act as moderating variables (Ferdinand, 2006). The variables studied include Loan Deposit Ratio (LDR) and non-performance Loan (NPL) as exogenous variables, and Firm Value variable proxied by Tobins Q value as dependent variable. The Capital Adequacy Ratio (CAR) variable is a variable that functions to moderate the influence of exogenous variables on endogenous variables.

Research data analysis includes data grouping based on variables, presentation tabulation, and data calculation to answer research problems and test the proposed hypotheses (Sugiyono, 2019). The data analysis technique uses Moderated Regression Analysis (MRA) with Partial Least Square (PLS). In Partial Least Square (PLS) there are stages of model measurement, namely the outer model (measurement model) and the Inner Model (structural model). Assessment of the outer model includes convergent validity, AVE. Determinant validity and composite reliability. While the inner model assessment uses R Square and the significance test.

Significance Test is used to assess the impact of each independent variable on the dependent variable. This assessment is carried out using a significance level or p-value below 0.05 (α = 5%). The decision to accept or reject the proposed hypothesis is based on the following criteria: If the significance value of the p-value is less than 0.05, then the hypothesis can be accepted, indicating that the exogenous variable has a significant influence on the endogenous variable. However, if the significance value is greater than 0.05, then the exogenous variable does not have a significant influence on the endogenous variable.

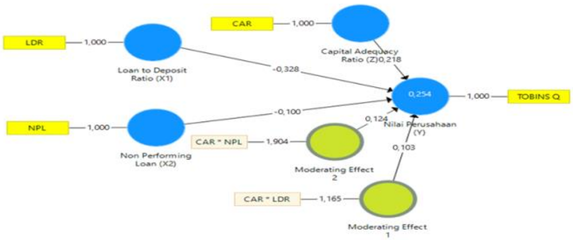
RESULTS AND DISCUSSION

In Partial Least Square (PLS) there are measurement stages that include the outer model (measurement model) and the inner model (structural model). Some measurements in the outer model are Convergent Validity measurements, Average variance extractor (EVA), Discriminant Validity, and Composite Reliability. While measurements in the inner model (structural model) include assessment of R Square, Hypothesis testing, and assessment of influence size.

Outer Model Test

The outer model describes the relationship between latent variables and their indicators. In assessing the outer model, first look at the convergent validity, namely by assessing the loading factor of each variable studied. Convergent validity ensures that the measurements taken in the study measure what should be measured so that the results are reliable. The criteria used to measure convergent validity are loading factors > 0.70.

*Corresponding Author: **Sochib.**



Based on the image above, it can be seen that the loading factor of the variables studied, namely the variables Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), Capital Adequacy Ratio (CAR), and Company Value obtained a value of > 0.70. With this assessment, it indicates that the research variables can be said to be valid.

Next is the assessment of Average Variance Extracted, Discriminant Validity, and Composite Reliability. Average Variance Extracted (AVE) is a measure used to assess the convergent validity of variables in the measurement model. AVE shows the proportion of variance that can be explained by the latent variables to the indicator variables that measure it. With a high AVE value, it can be concluded that the indicators used in the measurement reflect the intended variables. Assessment criteria AVE> 0.50.

Discriminant validity is a measure used to assess the extent to which a construct differs from other constructs in a measurement model. Discriminant validity is important to ensure that different constructs do not overlap. Discriminant validity assessment can use the Fornell-Larcker criterion. The Fornell-Larcker criterion states that to meet discriminant validity, the root value of the AVE (Average Variance Extracted) of a variable must be greater than the correlation between the variable and other variables in the model. Composite Reliability (CR) is a measure used to assess the internal consistency or reliability of a latent variable in a measurement model. Composite Reliability shows how well the indicators that measure a variable are consistent in reflecting the variable. If the CR value > 0.70 indicates that the indicators consistently reflect the latent variable.

Table 1. Reliability Test

	Cronbach's Alpha	Rho_A	Composite Reliability	Average Variance
Capital Adequacy Ratio (Z)	1.000	1.000	1.000	1.000
Loan to Deposit Ratio (X1)	1.000	1.000	1.000	1.000
Moderating Effect 1	1.000	1.000	1.000	1.000
Moderating Effect 2	1.000	1.000	1.000	1.000
Company Values (Y)	1.000	1.000	1.000	1.000
Non-Performing Loan (X2)	1.000	1.000	1.000	1.000

Source: PLS analysis results

Based on the Construct Reliability and Validity, it can be obtained measurements regarding Average Variance Extracted (EVA) > 0.5 and Discriminant validity and Composite Reliability each > 0.70. With these assessment results, it can be interpreted that the model measurement (outer model) has been fulfilled.

Inner Model Test

The inner Model (Structural Model) describes the relationship between latent variables, namely how one variable affects or is affected by other variables. The inner model is part of the structural model that describes the relationship between latent variables in the model. The inner model is also known as a structural model. The inner model describes the interaction of latent variables and influences each other in the research model to test the hypothesis being studied. R Square is a measure of the proportion of variation in the value of endogenous variables that can be explained by exogenous variables.

Tabel 2 Original Sample and P Values

Variables	Original Sample	P Values
Loan to Deposit Ratio (X1) → Company Values (Y)	-0,328	0,000
Non Performing Loan (X2) → Company Values (Y)	-0,100	0,345
Capital Adequacy Ratio (Z) → Company Values (Y)	0,218	0,159
Moderating Effect 1 → Company Values (Y)	0,103	0,475
Moderating Effect 2 → Company Values (Y)	0,124	0,235

Source: PLS Analysis Result

Based on table 2 shows that the Loan Deposit Ratio (LDR) variable has an original sample value of -0.328 which means that LDR has a negative relationship with the company's value (Tobin's Q). And P Value 0.000 <0.05 which means that this result is very statistically significant. This means that there is strong evidence that the negative relationship between LDR and Tobin's Q does not occur by chance. Every increase in LDR by 1 unit will be followed by a decrease in the company's value (Tobin's Q) by 0.328 units.

The Non-Performing Loan (NPL) variable has an original sample value of -0.100, which means that NPL has a negative relationship with the company's value (Tobin's Q). And the P value of 0.345> 0.05 means that this result is not statistically

*Corresponding Author: **Sochib.**

significant. This means that there is no strong enough evidence to state that the negative relationship between NPL and company value (Tobin's Q) is real. Although there is a tendency that increasing NPL can reduce company value, this influence is not statistically significant. This means that there is no strong evidence that NPL consistently affects company value in the sample studied.

Moderated Regression Analysis (MRA) Testing
The first moderation of LDR*CAR has an original sample value of 0.103, which means that CAR moderation slightly strengthens the positive relationship between LDR and firm value (Tobin's Q). And P Value 0.475> 0.05, which means that this result is not significant. This means that there is no strong enough evidence to state that CAR significantly moderates the influence of LDR on firm value. In other words, CAR does not play a role in moderating the relationship between the LDR variable and firm value as measured by Tobin's Q.

The second moderation of NPL*CAR has an original sample value of 0.124, which means that CAR moderation has a positive influence on the relationship between NPL and firm value (Tobin's Q). And P Value 0.235> 0.05 means that CAR moderation is not statistically significant. This means that there is no strong enough evidence to state that CAR significantly moderates the relationship between NPL and firm value (Tobin's Q). In other words, CAR does not play a role in moderating the relationship between the LDR variable and firm value as measured by Tobin's Q.

The Influence of Loan-to-Deposit Ratio on Company Value

Based on the results of the study, it was found that the Loan Deposit Ratio (LDR) has a significant negative influence on company value as measured by Tobin's Q. This shows that the higher the LDR, the lower the company value based on Tobin's Q. This finding indicates that LDR, which reflects the proportion of credit distribution to third-party funds, can explain changes in company value. Quantitatively, during the 2017-2021 research period, the position of the Loan to the loan-to-deposit ratio (LDR) on company value was observed to have a 45% non-unidirectional relationship year to year.

LDR will generate income and contribute to equity increases originating from the accumulation of current profit balances and have an impact on the book value of the company's assets. The LDR aspect of the bank must provide sufficient liquidity for withdrawals from depositors and disbursements of credit facilities that have been realized. LDR can potentially increase the risk of non-performing loans if the debtor defaults. This condition can affect investor perceptions of the bank's long-term profitability in the future. This information gets the opposite response from investors so stock prices in the capital market fluctuate as reflected in Tobin's Q value.

The results of this study confirm the research conducted by Mumtazah & Purwanto (2020) which stated that the Loan Deposit Ratio (LDR) is negative and significant on the Company Value proxied by Tobin's Q. However, this is different from the results of the study conducted by Pracoyo & Ladjadjawa (2022) which stated that the Loan Deposit Ratio (LDR) does not influence Company Value.

The Influence of Non-Performing Loans on Company Value

Based on the results of the analysis, it is proven that the Non-Performing Loan (NPL) variable does not influence Company Value as measured by Tobin's Q. This shows that the higher the NPL, the lower the company value as measured by Tobin's Q. This finding indicates that Non-Performing Loans (NPL), which reflect the quality of credit collectibility, cannot explain changes in company value. Empirical facts during the 2017-2021 research period show that the position of NPL on company value in 72% of observations does not have a significant influence year to year.

Investors do not seem to pay much attention to NPLs: during the 2017-2021 study period, the NPL position below 5% as stipulated by BI was recorded at 93%, while NPLs above 5% were only 7%. Investors may be more focused on other factors, such as profitability, revenue growth, or macroeconomic conditions than NPLs when assessing a company's value.

The results of this study confirm the research conducted by Mumtazah & Purwanto (2020) which stated that Non-Performing Loans (NPL) are negative and insignificant on Company Value as proxied by Tobins Q. However, this is different from the results of research conducted by Pracoyo & Ladjadjawa (2022) which stated that Non-Performing Loans (NPL) have a significant influence on Company Value.

CAR Moderation on the Relationship between Loan to Deposit Ratio and Company Value

The results of the Capital Adequacy Ratio (CAR) variable moderation test show that CAR cannot moderate the influence of Loan to Deposit Ratio (LDR) on Company Value as measured by Tobin's Q. Operational credit provision to the community and the real sector is funded by third-party funds that have been collected by banks in the form of savings, deposits and current accounts. Empirical LDR facts in the 2007-2021 period, around 80% of credit distribution is supported by third-party funds, and the remaining 20% is from third-party funds and other sources of funds. In more detail, LDRs below 78% were observed at around 29% of observations, which were in the range of 78%-92% by Bank Indonesia regulations covering 36% of total observations. Meanwhile, LDRs exceeding 92% were recorded at 35% of observations. The fulfillment of credit distribution comes from the collection of third-party funds in the form of savings, current accounts, and deposits because of the bank's function as a financial intermediary institution.

The achieved Loan to Deposit Ratio (LDR) allows banks to earn income and banks are also required to provide sufficient liquidity for withdrawals by depositors and disbursement of realized credit facilities. High collectibility credit distribution can increase credit risk which will disrupt the obligation to provide liquidity so that banks require additional capital to

*Corresponding Author: **Sochib.**

cover potential losses. The efforts of company owners to maintain capital adequacy or CAR by Bank Indonesia requirements are positive funding activities. In this study, CAR has a positive relationship with Company Value, which means that CAR fulfillment strengthens bank capital. However, there is no sufficient evidence to state that capital adequacy or CAR significantly moderates the relationship between Loan Deposit Ratio (LDR) and Company Value.

According to Lilis A. Kansil. Paulina Van Rate (2021), and Sari & Priantinah (2018) stated that LDR does not influence company value. The research results of Mumtazah & Purwanto (2020), and Sari & Priantinah (2018) stated that CAR does not influence company value. Banking credit financing is sourced from collecting third-party funds (TPF) from the public who have excess funds and then distributing in the form of loans to the real sector, which is reflected in the LDR. The adequacy of capital formed by banks to protect public funds placed in banks and maintain public trust to fulfill the obligation to withdraw funds by depositors.

CAR Moderation on the Relationship between Non-Performing Loan and Company Value

The results of the moderation test show that the Capital Adequacy Ratio (CAR) variable cannot moderate the influence of Non-Performing Loans (NPL) on Company Value as measured by Tobin's Q. NPL formed from the collectibility of substandard, doubtful, and bad loans are followed by the formation of Allowance for Impairment Losses (CKPN) each period. Based on empirical data, it was observed that around 93% of NPLs during the 2007-2021 period were below 5% by Bank Indonesia regulations and the remaining 7% exceeded 5%.

Non-Performing Loan (NPL) indicates a problem in the credit portfolio that is distributed and will affect profitability and cash flow in the future. NPL arising from default by debtors with substandard, doubtful, and bad status can hinder the company's performance. In high NPL conditions, banks require additional capital to cover potential losses. The efforts of company owners to maintain capital adequacy or CAR by Bank Indonesia requirements are positive funding activities. In this study, CAR has a positive relationship with Company Value, which means that the fulfillment of CAR of 8% according to Bank Indonesia regulations strengthens bank capital. However, there is insufficient evidence to state that CAR significantly moderates the relationship between Non-Performing Loans (NPL) and Company Value. Capital adequacy regulated by the Capital Adequacy Ratio (CAR) is more focused on covering risks by BI regulations, so CAR does not moderate the influence of NPL on Company Value.

According to the research results conducted by Sari & Priantinah (2018), Lilis A. Kansil. Paulina Van Rate (2021), Fairuz, Wibowo, Setyadi, & Mudjiyanti (2023) stated that Non-Performing Loans (NPL) do not influence company value. The research results of Mumtazah & Purwanto (2020), and Sari & Priantinah (2018) stated that the Capital Adequacy Ratio (CAR) does not influence company value. The research results of Mumtazah & Purwanto (2020), and Sari & Priantinah (2018) stated that CAR does not influence company value. Fulfillment of capital adequacy to increase banking capital strength and cover credit risk on credit collectibility.

CONCLUSION

From the analysis results, it can be concluded that the Loan to loan-to-deposit ratio (LDR) variable has a significant influence on the Company Value measured by Tobin's Q and NPL does not influence the company value. CAR has a positive relationship with the company value measured by Tobin's Q but is unable to moderate the relationship between the Loan to Deposit Ratio (LDR) and Non-Performing Loan (NPL) with the company value.

REFERENCES

1. Ali, M. (2004). *Asset Liability Management* (E. B. Supriyanto, ed.). Jakarta.
2. Anisa, H. V., & Suryandari, D. (2021). The Effect of NPL, GCG Self Assessment, ROA, and CAR on Firm Value (Empirical Study on Commercial Banks listed on the Indonesia Stock Exchange). *Accounting and Finance Studies*, *1*(2), 111–124. https://doi.org/10.47153/afs12.1352021
3. Bank Indonesia. (2008). “Peraturan Bank Indonesia No.10/15 /PBI/2008 Tentang Kewajiban Penyediaan Modal Minimum Bank Umum.” *Jakarta*, 1–80.
4. Bank Indonesia. (2013). Bank Indonesia. *Perhitungan GWM Sekunder Dan GWM Berdasarkan LDR Dalam Rupiah*, (15), 9.
5. Ferdinand, A. (2006). *Metode Penelitian Manajemen* (2nd ed.). Semarang: Badan Penerbit Universitas Diponegoro.
6. Ghozali, I. (2016). *Aplikasi Analisis Multivariete dengan Program IBM SPSS 23* (8th ed.). Semarang: Badan Penerbit Universitas Diponegoro.
7. Gunawan, C. (2020). *Mahir Menguasai SPSS Panduan Praktis Mengelola Data dan Penelitian* (1st ed.). Yogyakarta: CV Budi Utama.
8. Halimah, S. N., & Komariah, E. (2017). Pengaruh Roa, Car, Npl, Ldr, Bopo Terhadap Nilai Perusahaan Bank Umum. *JURNAL AKUNTANSI, EKONOMI Dan MANAJEMEN BISNIS*, *5*(1), 14. https://doi.org/10.30871/jaemb.v5i1.448
9. Irianti, A. S., & Saifi, M. (2017). … Bank dengan Menggunakan Metode Risk-based Bank Rating terhadap Nilai Perusahaan (Studi pada Perusahaan Perbankan Umum Konvensional Sektor Bank …. *Jurnal Administrasi Bisnis*, *50*(1), 56–64. Retrieved from http://administrasibisnis.studentjournal.ub.ac.id/index.php/jab/article/view/1945
10. Melda, M., Sumatriani, S., & Usman, A. (2022). Pengaruh Kinerja Keuangan Terhadap Nilai Perusahaan Pada Sektor Perbankan Di Bursa Efek Indonesia Perode 2018 - 2020. *Journal of Business Administration (JBA)*, *2*(1), 36.

*Corresponding Author: **Sochib.**

https://doi.org/10.31963/jba.v2i1.3448

11. Mumtazah, F., & Purwanto, A. (2020). Analisis Pengaruh Kinerja Keuangan Dan Pengungkapan Lingkungan Terhadap Nilai Perusahaan. *Diponegoro Journal of Accounting*, *9*(2), 1–11.
12. Pracoyo, A., & Ladjadjawa, A. E. C. (2022). Pengaruh Non-Performing Loan, Loan to Deposit Ratio, dan Good Corporate Govern-ance terhadap Profitabilitas (ROA) atau Nilai Perusahaan (Tobin's Q) periode 2015-2019. *Jurnal Ekonomi, Manajemen Dan Perbankan (Journal of Economics, Management and Banking)*, *6*(3), 109. https://doi.org/10.35384/jemp.v6i3.234
13. Sari, P. Y., & Priantinah, D. (2018). Pengaruh Kinerja Keuangan Dan Corporate Social Responsibility (Csr) Terhadap Nilai Perusahaan Pada Bank Yang Terdaftar Di Bursa Efek Indonesia Periode 2011-2015. *Nominal, Barometer Riset Akuntansi Dan Manajemen*, *7*(1). https://doi.org/10.21831/nominal.v7i1.19364
14. Sochib, Fetri setyo liyundiro, A. (2023). The Effect of LDR, NPL, CAR on Return on Asset of Conventional National Commercial Bank in Indonesia. *International Journal of Accounting and Management Research*, *4*(1), 51.
15. Sochib, Yusuf Wibisono, A. S. (2021). Pengaruh ROA , DER dan Kebijakan Dividen Terhadap Nilai Bank Umum Swasta. *Progree Conference*, *4*(1), 532–539. Retrieved from http://proceedings.stiewidyagamaluajang
16. Sochib. (2016). Pengaruh Capital Adequacy Ratio, Debt to Equity Ratio, Rasio Biaya Operasional Pendapatan Operasional, dan Loan to Deposit Ratio terhadap Kinerja Keuangan Bank Umum Swasta Nasional. *Jurnal Penelitian Ilmu Ekonomi WIGA Vol. 6 No. 1, Maret 2016, Hal 1 – 14*, *6*(1), 1–14. Retrieved from http://journal.stiewidyagamalumajang.ac.id
17. Sochib, S., Indrianasari, N. T., & Sholihin, M. R. (2023). The Influence Of Loan To Deposit Ratio And Non-Performance Loan On The Performance Of Conventional National Private Banks. *Assets : Jurnal Ilmiah Ilmu Akuntansi, Keuangan Dan Pajak*, *7*(1), 35–44. https://doi.org/10.30741/assets.v7i1.917
18. Sofyan Yamin, H. K. (2009). *SPSS Complete Teknis Analisis Statistik Terlengkap dengan SOftware SPSS* (1st ed.). Jakarta: Salemba Infotek.
19. Suffah, R., & Riduwan, A. (2016). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan dan Kebijakan Dividen Pada Nilai Perusahaan. *Jurnal Ilmu Dan Riset Akuntansi*, *5*(2), 1–17.
20. Sugiyono. (2015). *Metode Penelitian Kuantitatif, Kualitatif dan RD*. Bandung: Alfabeta.
21. Sugiyono. (2019). *Metode Penelitian Kuantitatif* (Setyawami, ed.). Yogyakarta: Alfabeta.
22. Suwardika, I. N. A., & Mustanda, I. K. (2017). Pengaruh Leverage, Ukuran Perusahaan, Pertumbuhan Perusahaan, Dan Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan Properti. *E-Jurnal Manajemen Unud*, *6*(3), 1248–1277.
23. Tanggo, R. R., & Taqwa, S. (2020). Pengaruh Profitabilitas, Kualitas Laba Dan Keputusan Investasi Terhadap Nilai Perusahaan. *Jurnal Eksplorasi Akuntansi*, *2*(4), 3828–3839. https://doi.org/10.24036/jea.v2i4.321

*Corresponding Author: **Sochib.**