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The Effect of Liquidity, Capital and Profitability on Firm Value with Good Corporate Governance as a Moderation Variable in National Private Commercial Banks in Indonesia

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Abstract:- This study entitled the effect of liquidity, capital and profitability on firm value with good corporate governance as a moderating variable in national private commercial banks in Indonesia with 15 hypotheses presented in this study. The method used in this study is quantitative and data analysis using the PLS SEM method. from the 15 hypotheses studied, the results are 7 accepted hypotheses.

Keywords:- *Liquidity, Capital, Profitability, Firm Value, Good Corporate Governance, Bank.*

I. INTRODUCTION

The Firm Value is the investor's perception of the success rate of the manager in managing the company's resources entrusted to him that are often associated with the stock price. The Firm Value is something that is very important for the company because with an increase in the Firm Value will be followed by an increase in the share price which reflects an increase in the prosperity of shareholders. The market will believe not only in the company's current performance but also in the company's future prospects with an increase in the company's value. Brealey et al, (2007) state that the value of a company seeks a collective assessment of investors' collective assessment of a company's performance, both current and future projections.

For managers or investors, the Firm Value is very important for both. The high Firm Value reflects that manager have succeeded in strengthening the bank while showing the public that managers are able to achieve the bank's goal of prospering shareholders. For investors, the high Firm Value will build investor confidence in investing their money by buying company shares so that the company's stock price increases.

In principle, an increase in shareholder prosperity means an increase in the Firm Value, so the Firm Value is considered important to keep shareholders satisfied with management company and still willing to invest in the company. In addition, the Firm Value is also important for potential investors, so that potential investors are sure to invest in the company because the prosperity of its shareholders is considered by well.

Increasingthe Firm Value as high as possible is the goal of all company owners (Puspaningrum, 2017). The same goes for companies in the banking sector. All companies must be able to optimize the company's valuation, because the valuation of the company's value is defined as welfare for related parties (Rahayu, 2018). One of the banking efforts so that the company's value increases is to maintain its liquidity level, so that the bank is able to maintain its performance and can fulfill its obligations (Kusuma & Musaroh, 2014). Companies that have good liquidity will be assessed positively by the market because the company is considered liquid and able to pay off its short-term obligations. Liquidity in this ainelite is proxied with a Loan to Deposit Ratio (LDR). The higher the LDR, the lower the bank's liquidity. But on the other hand, the higher the LDR, the bank will have the potential to earn more and more income. LDR is an interesting thing, because on the one hand banks are required to optimize income from third party funds (DPK) by disbursing large loans, but on the other hand when the LDR bank is high, then the liquidity will be low. One of the risks facing banks is liquidity risk.

Bank liquidity is vulnerable and can be drained from a bank suddenly. This liquidity risk, with the occurrence of a rush, can have a domino effect, so it can pose systemic risks. The source of funds is dominated by third party funds (DPK). The characteristic of deposits is that the source of funds is short-term, while the distribution of funds in the form of credit is long-term, so that bank liquidity management becomes very important. If the bank's liquidity management is not done well, for example, the bank only pursues large loans, indeed, the bank's income will be large, but the risks its liquidity becomes high. Banks that are too expansive in lending without good credit management can trigger the risk of nonperformance loans. On the other hand, if the bank is very tight in liquidity, namely with a low LDR policy, then on the one hand, the liquidity risk is low, but the bank's income will also be low. Bank liquidity crises are often the trigger for banking crises, where banks default on most of their obligations (Wuryandani et al, 2014). Excess bank liquidity will also pose problems for monetary authorities in controlling monetary policy (Ganley, 2004). Liquidity shows the bank's ability to meet short-term obligations, namely the withdrawal of public funds and the application for credit. Banks with good liquidity management will ensure

that bank operations can run well, public trust in the bank is maintained. People who keep their funds in the bank feel safe, customers believe that the money planted can be withdrawn at any time. Banks with good liquidity will ensure that the company's operations can run well, so that it will have an impact on the Firm Value. The results of research by Fadhli et al, (2015), Halimah & Komariah (2017), Mery et al, (2017) and Permana & Rahyuda (2019) found that liquidity affects the Firm Value. In contrast to the results of research by Wardoyo & Agustini (2015), Putri & Ukhriyawati (2016), Hedander (2005), Lumoly et al, (2018) which found that liquidity does not affect the Firm Value.

Capital is very important in the banking business because it can support the bank's operational activities so that it can run smoothly. Capital banks are proxied with a Capital Adequacy Ratio (CAR). CAR is a capital adequacy ratio that shows the bank's ability to maintain sufficient capital and the ability of bank management to identify, measure, supervise and control risks arising that affect the amount of capital. Cashmere (2012:11) suggests capital is an assessment based on the capital that a bank has. Banks with larger CAR ratios, show the better the bank's ability to bear the risks of any risky credit or productive asset. In order to maintain bank stability and health assessment, Bank Indonesia as the monetary authority has determined the bank's capital, namely the minimum provision of bank CAR 8% in accordance with the provisions BIS (Bank International Settlement) (Altman & Saunders, 2000). Banks with high CAR indicate that the bank is healthy and stable, so this will be a positive signal for investors. Banks with a large CAR minimize investment risks, so CAR will have a positive impact on the Firm Value. The results of research by Halimah & Komariah (2017) and Prabawati et al, (2021) prove that capital affects the Firm Value. In contrast to the results of research by Wardoyo & Agustini (2015), Ningrum (2017) found that capital does not affect the Firm Value.

An investor will be interested in investing in a company if the profit generated by the company is relatively high. A company with high profitability indicates that management is able to use its resources efficiently. Profitability is the company's ability to make a profit. Companies with high profitability will tend to have a high company value. (Miller & Modigliani, 1961) states that the value of a company is determined by the earnings power of the company's assets will determine the Firm Value. Companies with high earnings power, show the more efficient the turnover of assets and or the higher the profit margin obtained by the company which will have an impact on the Firm Value. Profit is mainly used by investors and analysts in making decisions in the financial markets. Profit that does not show information about the actual economic performance of the company can mislead the user of the report, since this kind of profit cannot be explains the actual market Firm Value (Boediono, 2005). The results of research conducted by Riahi-Belkaoui (1999) Fadhli et al, (2015), Agustiani (2016), Putri & Ukhriyawati (2016), Prabawati et al, (2021), Halimah & Komariah (2017), Ningrum (2017), Mery et al , (2017), Lumoly et al, (2018), Permana & Rahyuda (2019), Noviani et al (2019) and Prabawati et al, (2021) proved that profitability affects the Firm Value. In contrast to the results of research wardoyo & agustini (2015) found that profitability does not affect the Firm Value.

One of the things that needs to be considered in maximizing company value is to implement good corporate governance (GCG). Monks & Minow (2003) explained that as a system that regulates and controls the company, good corporate governance must be able to create added value for all stakeholders. The concept of good corporate governance emphasizes the importance of obtaining correct, accurate, and timely information for shareholders and the obligation to make accurate disclosures, timely, and transparent to all information about the company's performance, ownership, and stakeholders. The implementation of GCG can be encouraged from two sides, namely ethics and regulations. The impetus of ethics comes from the awareness of individual business people to carry out businesspractices that prioritize the survival of the company, the interests of stakeholders and avoid ways of creating a momentary profit. The push from regulations "forces" companies to comply with applicable laws and regulations (General Guidelines for Good Corporate Governance Indonesia, 2006). The implementation of good corporate governance is considered to be able to improve the company's image, protect the interests of stakeholders and improve compliance with applicable laws and regulations and general ethics in the industry in order to image a healthy corporate system. The implementation of GCG is very necessary to build public and internationa trust as an absolute requirement for companies to develop properly and healthily. The implementation of GCG can support the continuity of a company and help increase the trust of the public and investors. The results of research by Pratama & Wirawati (2016) , Noviani et al (2019) prove that profitability affects the Firm Value with GCG as a moderation variable.

Institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. The existence of institutional investors is considered capable of being an effective supervisory mechanism in every decision taken by managers. A high level of institutional ownership will lead to greater oversight efforts by institutional investors so as to impede the behavior of managers who attach importance to their own interests, which will ultimately harm the owners of the company. The greater the ownership by a financial institution, the greater the power of voice and impetus to optimize the value of the enterprise.

Managerial ownership is an important mechanism for unifying manager incentives with shareholders (Jensen & Meckling, 1976; Morck et al, 1988). Managerial ownership can be increased, among others, through stock-based compensation policies (Cheng & Warfield, 2005). Increasing share ownership by managers will avoid policies that are less profitable for shareholders (owners). Managers who are also included as owners will try to focus their attention on performance to increase the Firm Value or increase the prosperity of shareholders where the manager is included in it.

Independent commissioners are required in the banking industry to assist in planning long-term banking strategies and periodically reviewing the implementation of such strategies. Banks listed on the Indonesia Stock Exchange are required to have independent commissioners, provided that the number of independent commissioners is at least 30% of the number of independent commissioners. Dechow et al, (1996) stated that independence from the board of directors would reduce fraud in financial reporting. The existence of independent commissioners is expected to increase the effectiveness of supervision and efforts to improve the quality of financial statements. The existence of good supervision will minimize fraudulent actions committed by management in financial reporting, so that the quality of financial statements will be better and cause investors to believe in investing in banks, so that in general the banking stock price will be higher and the Firm Value will increase.

The audit committee is one of the good corporate governance mechanisms that is the basis for stakeholders in limiting the behavior of managers in the banking industry. The existence of an audit committee also plays an important role in ensuring the creation of good corporate governance in the company. The audit committee is tasked with providing independent professional input to the Board of Commissioners on reports submitted by the board of directors to the board of commissioners. In addition, the audit committee is also in charge of reviewing matters that require the attention of the board of commissioners and is responsible for overseeing banking financial statements, supervising external audits and overseeing the internal control system of banking.

The banking industry has a very strategic role as an intermediation institution that is grindingthe wheels of the economy. Banks play an important role in streamlining financial transaction traffic, so that economic activity can run smoothly. A smooth run of economy will have an impact on increasing economic growth. Bank loans are able to support economic growth (Satria & Subegti, 2010; Ho, 2012; Ciałowicz & Malawski, 2017; Setiawan & Sudana, 2017; Princess et al, 2018). The Bank's function as an intermediation institution has been able to provide investment credit and working capital for the business sector.

The strategic role of banking in the economy of a country, it is required that the banking industry must be healthy. When the banking industry is healthy, the allocation of economic resources, especially credit, will be efficient. So, it will have an impact on the economy of a country. In addition, the banking industry must also be healthy, the banking industry is also stable and the national banking industry can survive and support the country amid the threat of economic recession. National Private Commercial Banks were chosen as the object of research with the consideration that the performance of National Private Commercial Banks is better than the performance of Government Banks, this can be seen from the following table.

Bank	**Operating Profit**		**Development**
	May 2019	**May 2020**	
Government Bank	37,53	32,10	-14,47%
National Private Commercial Bank	26,41	23,07	-12,65%
Bank	Net Profit		Development
	May 2019	May 2020	
Government Bank	30,01	23,25	-22,53%
National Private Commercial Bank	20,38	19,51	-4,27%

Table 1:- Performance of National Private Commercial Banks and Government Banks
Year 2019 and 2020
(In Trillion)
Source: Financial Services Authority (OJK), 2021.

Based on table 1, it can be explained that judging from the total operating profit and net profit of Government Banks, it is greater than that of National Private Commercial Banks, but judging from its development, National Private Commercial Banks experienced a decrease in operating profit by 12.65% smaller than the decline in Government Services, which was 14.47%, while judging from the net profit, the decline in National Private Commercial Banks by 4.27% was smaller than the Government Bank's decrease of 22.53%. Thus, the performance of National Private Commercial Banks is better than that of Government Banks in the midst of the threat of economic recession due to the Covid-19 pandemic. This is due to the downward trend in interest rates, and deposit rates are also falling, while interest rates on indirect loans are falling. The movement is faster in deposit rates, from this it can be seen that private banks are faster to respond to monetary policy relaxation so that interest rates fall immediately.

Based on the inconsistency of the results of previous research and the phenomenon above, researchers are interested in examining the Effect of Liquidity, Capital and Profitability on Firm Value with the Variable Good Corporate Governance as a Moderation Variable in National Private Commercial Banks in Indonesia.

II. LITERATURE REVIEW

➢ *Agency Theory*

Agency theory is basically a model used to formulate problems in the form of conflicts between shareholders as the owner of the company (principal) and managers as parties who appointed or authorized by shareholders (agents) to run the company in accordance with their interests. As a form of responsibility of the manager who has been authorized by the shareholders, the manager will inform the performance he has achieved through financial statements. In this case, managers have superior information compared to shareholders. At a time when shareholders cannot perfectly monitor managerial activity, then the manager has the potential and opportunity

to determine a policy that benefits himself, and this is where conflicts arise between the manager and the owner because the owner does not like the action.

Broadly speaking Jensen & Meckling (1976) describes two kinds of agency relationships, namely between shareholders and managers and between lenders (bondholders) with managers. This relationship can work well, if the principal gives authority to the agent and the relationship needs to be regulated in a contran stated in the report finance as the basis.

Agency theory can be used by management in disclosing financial statements through behavior based on two motivations, namey: opportunistic motivation and signaling motivation (Beaver, 2002). Opportunistic motivation, in this motivation management tends to use aggressive accounting policies (Penman, 2003) Signaling motivation, management tends to manage accrual which leads to persistence profit, by improving the quality of financial statements through accounting figures that lead to the quality of profit Dechow & Dichev, 2002).

- *Firm Values*

According to Wijaya (2017), the Firm Value that goes public is reflected in the market price of the company's shares, while the Firm Value that has not yet gone public is reflected when the company is about to be sold.

Firm Value is an investor's perception of the company's success rate which is often associated with stock prices. Nilai company in this study used the tobin's Q ratio approach with the following formula (Latif et al, 2017):

$$\text{Tobin's Q} = \frac{\text{EMV} + \text{D}}{\text{TA}}$$

Description:
EMV = Equity Market Value (number of shares outstanding x share price)
D = Book value of total debt
TA = Total assets

- *Liquidity*

Liquidity according to Cashmere (2014:110) is a liquidity ratio, which is a ratio that describes a company's ability to meet short-term obligations.

Liquidity L is a tool to measure the bank's ability to meet short-term obligations, which is proxied by the loan to deposits ratio according to Cashmere (2014: 225) with the following formulation:

$$\text{Loan to deposit ratio} = \frac{\text{Total kredit yang diberikan}}{\text{Total dana pihak ketiga}} \times 100\%$$

- *Capital*

Capital is a fund placed by shareholders, the first party to a bank that has a very important role as an absorber in case of losses. Capital is also an investment made by shareholders that must always be in the bank and there is nothing to return it for use. Capital according to (Siamat, 2014) is "funds planted by its owner in the context of establishing a business entity intended for financing the bank's business activities in addition to fulfilling predetermined provisions. " Cashmere (2012:11) defines capital is an assessment based on the capital that a bank has.

According to Cashmere (2012: 11) put forward one method for assessing capital , namely the capital adequacy ratio (CAR) method, namely by comparing capital with risk-weighted assets (ATMR). The car formulation according to SE BI No.13/24/DPNP/2011 is as follows:

$$\text{CAR} = \frac{\text{Modal sendiri}}{\text{ATMR}} \times 100\%$$

Information:
CAR = Capital adequacy ratio
Capital = Core capital + Complementary capital
ATMR = Asset Balance + Administrative Balance

- *Profitability*

Profitability is the ability of a business to make a profit. Profit is the operating income generated after paying all costs directly related to income, such as producing products, and other costs related to implementation of business activities. Husnan (2015) stated that certain aspects such as assets and business capital enable the company to make a profit. Based on the opinion of Brigham & Daves (2014) that profitability is the net result of a large number of policies and decisions. The ratios studied so far reveal some interesting things regarding the brilliance of the company.

Profitability ratio is a ratio to assess a bank's ability to obtain profits or profits in a certain period over all sources of funds used. In this case it is proxied with Return on Assets (ROA) according to Brigham & Houston (1998:110) with the following formulation:

$$\text{ROA} = \frac{\textit{Earning after tax}}{\textit{Total Assets}} \times 100\%$$

ROA is a measure of the effectiveness of management in managing its investments. The higher this ratio the more effective the use of funds in the operation of the bank, and vice versa.

- *Good Corporate Governance*

Good Corporate Governance according to Sutedi (2012) is a process and structure used by company organs (Shareholders/Capital Owners, Commissioners/Supervisory Boards, and Directors) for increase business success and company accountability in order to continue to pay attention to the interests of other stakeholders, based on laws and regulations and ethical values.

1) Institutional Ownership

Institutional Ownership according to Agoes (2011:109) is the shareholding of a company owned by an institution.

2) Managerial Ownership

Managerial Ownership according to Agoes (2011: 109) is the proportion of shares owned by the management who actively participate in company decision making.

3) Independent Commissioner

An Independent Commissioner according to Agoes (2011: 109) is as a person who is not affiliated in all respects with shareholders (institutional owners), has no affiliation with the board of directors or the board of commissioners and does not serve as a director in a company.

4) Audit Committee

The Audit Committee according to Agoes (2011: 109) is a committee that works professionally and independently assisted by the board of commissioners and thus its task is to assist and strengthen the functions of the board of commissioners in carrying out supervisory functions over the financial reporting process , risk management, audit implementation, and implementation of corporate governance in companies.

Good corporate governance is an effort to direct and control the company by ensuring the continuity of the company and accountability to stakeholders. Good corporate governance is an effort to direct and control the company with the aim of ensuring the continuity of the company and accountability to stakeholders. Good corporate governance in this study is measured by:

1) Institutional Ownership

Measurement of institutional ownership using formulas (Agoes, 2011:109):

$$\text{Institutional Ownership} = \frac{\text{Jumlah saham yang dimiliki institusional}}{\text{Jumlah modal saham perusahaan yang beredar}} X100\%$$

2) Managerial Ownership

Measurement of managerial ownership using the formula (Agoes, 2011:109):

$$\text{Managerial Ownership} = \frac{\text{Total saham yang dimiliki oleh manajemen}}{\text{Jumlah saham yang perusahaan kelola}} X100\%$$

3) Independent commissioner

The measurement of the independant commissioner uses the formula (Agoes, 2011:109):

$$\text{Independent Commissioner} = \frac{\text{Komisaris Independen}}{\text{Total Dewan Komisaris}} X100\%$$

4) Audit Committee

Measurement of the audit committee using the formula (Debby et al, 2014):

Audit Commission = Number of Members of the Audit Committee

➢ *Research Concept Framework*

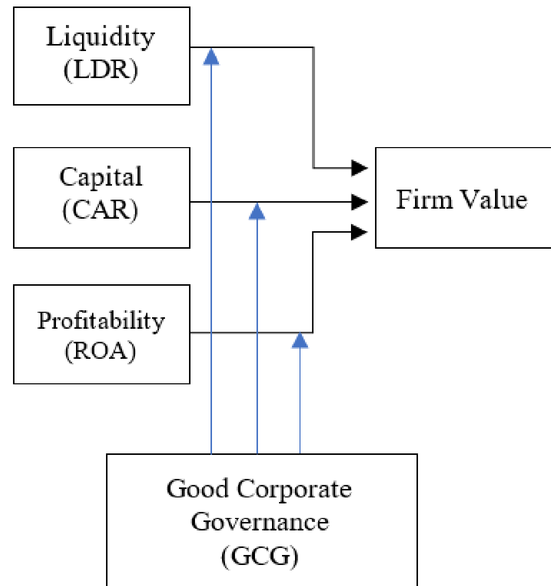

Fig 1:- Conceptual Framework of Research

➢ *Hypothesis*

H1: Liquidity affects the Firm Value.
H2: Capital affects the Firm Value.
H3: Profitability affects the Firm Value.
H4: Liquidity affects the Firm Value with institutional ownership as a moderation variable.
H5: Capital affects the Firm Value with institutional ownership as a moderation variable.
H6: Profitability affects the Firm Value with institutional ownership as a moderation variable.
H7: Liquidity affects the Firm Value with managerial ownership as a moderation variable.
H8: Capital affects the Firm Value with managerial ownership as a moderation variable.
H9: Profitability affects the value of a company with managerial ownership as a moderation variable.
H10: Liquidity affects the Firm Value with independent commissioners as a moderation variable.
H11: Capital affects the Firm Value with independent commissioners as a moderation variable.
H12: Profitability affects the Firm Value with independent commissioners as a moderation variable.
H13: Liquidity affects the Firm Value with the audit committee as a moderation variable.
H14: Capital affects the Firm Value with the audit committee as a moderation variable.
H15: Profitability affects the Firm Value with the audit committee as a moderation variable.

➢ *Method*

The scope of this study is financial management, namely the influence of liquidity, capital and profitability on Firm Value with the variable good corporate governance as a moderation variable in National Private Commercial Banks in Indonesia.

The data used as material in this study is secondary data that can be obtained through annual financial reports published by banks that are the object of research, economic books, journals, scientific papers of experts that correspond to the research theme.

The data collection technique in this study used documentation. Documentation is a data collection technique by studying, classifying and using secondary data related to research problems. Data analysis in this study was carried out using the following techniques:

Descriptive statistics, the goal is to analyze the characteristics of the sample under study. The type of descriptive statistics used in this study is average statistics, which describes the average value of a variable studied in a certain group of data (Ferdinand, 2006: 290).

This study uses structural equation modeling-partial least squares (SEM-PLS) analysis tool, which according to (Ghozali & Fuad, 2005) is a variable technique aimed at describing linear relationships between observed variables that also involve other variables that cannot be observed measured directly (latent variables) and must be measured using indicators. Latent variables consist of exogenous and endogenous. Exogenous is a latent variable whose value is determined by other variables outside the model, while endogenous is a latent variable whose value is determined by other variables within the model. The advantage of analysis with SEM is that it has the ability to conduct comprehensive tests, that is, to conduct tests simultaneously or simultaneously. PLS uses path analysis so that it is able to carry out a comprehensive analysis because the test is carried out simultaneously which is not found when using regression analysis tools. The stages of modeling PLS-based structural equations include:

a. Structural model (inner model)

The Inner Model or Structural Model describes the relationship between latent variables based on substantive theory. The design of structural models of relationships between latent variables is based on the formulation of problems or research hypotheses.

b. Conversion of path charts into a system of equations

$$Y = \gamma_1X_1 + \gamma_2X_2 + \gamma_3X3 + \omega_1X_1{*}M_1 + \omega_2X_2{*}M_1 + \omega_3X_3{*}M_1 + \omega_4X_1{*}M_2 + \omega_5X_2{*}M_2 + \omega_6X_3{*}M_2 + \omega_7X_1{*}M_3 + \omega_8X_2{*}_{M3} + \omega_9X_3{*}M_3 + \omega_{10}X_1{*}M_4 + \omega_{11}X_2{*}M4 + \omega_{12}X_3{*}M_4 + e$$

Description:

Y = Firm Value
α = Constant
$\gamma_{1..3}$ = path coefficient from exogenous to endogenous variables
$\omega_{1..12}$ = moderation effect path coefficient
X_1 = Liquidity
X_2 = Capital
X_3 = Profitability
$X_1{*}M_1$ = Interaction between liquidity and Institutional Ownership
$X_1{*}M_2$ = Interaction between liquidity and Managerial Ownership
$X_1{*}M_3$ = Interaction between liquidity and Independent Commissioners
$X_1{*}M_4$ = Interaction between liquidity and Audit Committee
$X_2{*}M_1$ = Interaction between capital and Institutional Ownership
$X_2{*}M_2$ = Interaction between capital and Managerial Ownership
$X_2{*}M_3$ = Interaction between capital and Independent Commissioner
$X_2{*}M_4$ = Interaction between capital and Audit Committee
$X_3{*}M_1$ = Interaction between profitability and Institutional Ownership
$X_3{*}M_2$ = Interaction between profitability and Managerial Ownership
$X_3{*}M_3$ = Interaction between profitability and Independent Commissioner
$X_3{*}M_4$ = Interaction between profitability and Audit Committee
e = error

c. Estimating model parameters as well as evaluating the model by looking at the percentage of variance described by looking at the value of r2.

d. Goodness of Fit

There are two used in model PLS, namely inner and outer. The Inner Model describes the relationship between latent variables based on pata substantive theory. Inner model is commonly called inner relation or structural model.

III. RESULTS AND DISCUSSIONS

❖ ***Result***

Descriptive analysis was carried out with the aim of describing the profile of research data and explaining the research variables with regard to the minimum and maximum values, average (mean), and standard deviations of liquidity, capital, profitability, good corporate governance, and Firm Value during the period 2015-2020.

a. Liquidity

The results of the descriptive statistical test on liquidity indicated by the LDR value are as follows:

Table 2:- LDR Descriptive Statistical Test Results

Year	Min	Max	Mean	Std. Dev.
2015	55,78	98,05	86,6825	13,94992
2016	55,34	110,45	85,4750	16,06186
2017	50,61	114,92	89,5933	18,92945
2018	51,96	145,26	94,1675	22,69987
2019	60,55	163,10	99,3542	28,42792
2020	39,33	162,29	92,3683	33,19228
	39,33	163,10	91,2735	22,21022

Source: Data processed, 2022.

Based on Table 8, it can be seen that the liquidity value proxied by the LDR ranges from 33.35% – 163.10% with an average of 91.2735%. Good/ideal LDR requirements of 75% - 80% (SE BI No 6/23/31 May 2015). From an average LDR of 9, 1.2735% indicates that the banking industry is quite healthy. The higher the LDR ratio, the lower the Bank's liquidity ability, so the risk of investing becomes high because it does not have the ability to repay obligations on customer or thirdparty funds. With low bank liquidity, this will have an impact on the loss of investor confidence in the bank. If the public has lost confidence in a bank, then investors are also reluctant to buy shares of the company in question. With this happening, it will have an impact on decreasing the company's share price.

b. Capital

The results of the descriptive static test on capital indicated by the CAR value are as follows:

Table 3:- CAR Descriptive Statistical Test Results

Year	Min	Max	Mean	Std. Dev
2015	15,00	30,50	20,4467	4,57031
2016	15,60	26,84	21,1425	3,94074
2017	17,51	29,58	22,3075	4,19974
2018	16,85	40,90	22,6825	6,59595
2019	12,67	44,60	22,4033	7,74535
2020	18,11	49,44	25,9225	9,02299
	12,67	49,44	22,4842	6,01251

Source: Data processed, 2022.

Based on table 9, it can be seen that the minimum value is 11.69% and the maximum is 49.44% with an average CAR ratio value of 22.4842%. This shows that the car ratio value of national private commercial banks studied during the 2015-2020 period can be said to be healthy because the CAR ratio exceeds the minimum provision of capital provision determined by BI, which is 8%. Shows that the Bank has sufficient capital to carry out its operational activities and is able to cover losses that may arise from its business activities.

c. Profitability

The results of the descriptive static test on profitability indicated by the ROA value are as follows:

Table 4:- ROA Descriptive Statistical Test Results

Year	Min	Max	Mean	Std. Dev.
2015	0,20	12,20	2,4592	3,2471
2016	0,53	11,90	2,6408	3,0785
2017	0,60	11,20	2,5317	2,8781
2018	0,65	12,40	2,7667	3,1900
2019	-0.27	13,60	2,6100	3,6417
2020	0,35	9,16	2,2950	2,3621
	-0,27	13,60	2,5506	3,06624

Source: Data processed, 2022.

Based on Table 10, it can be seen that the minimum value of profitability proxied with the ROA of National Private Commercial Banks is -0.27% and the maximum value is 13.60% with an average of 2.5506%. This shows that the overall ROA value of all banks is able to exceed the minimum value set by BI, which is between 0.5%-1.25% so that the Bank is said to be healthy. This shows that these banks are able to manage their assets to make a profit for the bank.

d. Good Corporate Governance

The implementation of GCG is very necessary to build public and international trust as an absolute requirement for companies to develop properly and healthily. The results of the descriptive static test on good corporate governance shown by the values of institutional ownership, managerial ownership, independent commissioners and audit committees are as follows:

Table 5:- Descriptive Statistical Test Results of Institutional Ownership

Year	Min	Max	Mean	Std. Dev.
2015	54,94	98,71	83,7350	14,60591
2016	54,94	98,71	83,7350	14,60591
2017	54,94	98,71	83,7350	14,60591
2018	54,94	98,71	83,7350	14,60591
2019	54,94	98,71	83,7350	14,60591
2020	54,94	98,71	83,7350	14,60591
	54,94	98,71	83,7350	14,60591

Source: Data processed, 2022.

Good corporate govenance measured using institutional ownership ranged from 54.94% to 98.71% with an average of 83.7350%. This shows that institutional ownership plays a role in processing companies to generate expected financial profits and also carry out activities. The Company carries out business activities responsibly and ethically, by complying with various provisions and regulations that apply in Indonesia. The good corporate governance policy is prepared based on the prevailing laws and regulations in Indonesia, the Company's Articles of Association, as well as the principles of good corporate governance that prioritize aspects of transparency, accountability, responsibility, independence and equality.

Table 6:- Managerial Ownership Descriptive Statistical Test Results

Year	Min.	Max.	Mean	Std. Dev.
2015	0,000	0,170	0,01733	0,048858
2016	0,000	0,170	0,01733	0,048858
2017	0,000	0,170	0,01733	0,048858
2018	0,000	0,170	0,01733	0,048858
2019	0,000	0,170	0,01733	0,048858
2020	0,000	0,170	0,01733	0,048858
	0,000	0,170	0,01733	0,048858

Source: Data processed, 2022.

Managerial Ownership is a percentage of the number of shares in the overall shares of the company's outstanding shares owned by the company's management, both executive and director. The results of the analysis explained that managerial ownership ranged from 0% to 0.17% with an

average of 0.0 1733%. This shows that most banks do not have managerial ownership.

Table 7:-Descriptive Statistical Test Results of Independent Commissioners

Year	Min	Max	Mean	Std. Dev.
2015	0,38	0,75	0,5600	0,12060
2016	0,38	0,75	0,5600	0,12060
2017	0,38	0,75	0,5600	0,12060
2018	0,38	0,75	0,5600	0,12060
2019	0,38	0,75	0,5600	0,12060
2020	0,38	0,75	0,5600	0,12060
	0,38	0,75	0,5600	0,12060

Source: Data processed, 2022.

The existence of independent commissioners is the percentage of independent commissioners compared to the total number of commissioners. The range of values of 0.38 – 0.75 with an average of 0.560 (56%) means that the number of independent boards in the bank is generally half a share. In accordance with the Financial Services Authority (OJK) Regulation Number: 33 / POJK.04 / 2014 Chapter III article 20 requires the number of mandatory independent commissioners owned by issuers or public companies at least 30% (thirty percent) of the total number of members of the Board of Commissioners.

Table 8:- Audit Committee Descriptive Statistical Test Results

Year	Min.	Max.	Mean	Std. Dev.
2015	2	4	3,17	0,718
2016	2	4	3,17	0,718
2017	2	4	3,17	0,718
2018	2	4	3,17	0,718
2019	2	5	3,25	0,866
2020	2	5	3,25	0,866
	2	5	3	0,767

Source: Data processed, 2022.

Based on table 14, it can be seen that the audit committee of the National Private Commercial Bank ranges from 2 to 5 people with an average of 3 people. Financial Services Authority (OJK) Regulation Number: 55/POJK.04/2015 Chapter II, article 2, requires issuers or public companies to have an audit committee. This shows that the bank is already qualified.

e. Firm Values

The results of the descriptive static test on the Firm Value indicated by the value of Tobin's Q are as follows:

Table 9:- Tobin's Q Descriptive Statistical Test Results

Year	Min.	Max.	Mean	Std. Dev.
2015	0,91	3,24	1,293	0,63925
2016	0,90	2,58	1,234	0,46569
2017	0,58	2,20	1,153	0,42152
2018	0,80	1,82	1,127	0,29718
2019	0,71	2,78	1,194	0,55589
2020	0,66	2,56	1,265	0,51509
	0,58	3,24	1,211	0,48244

Source: Data processed, 2022.

The company's value of having Tobin's Q from 2015 to 2020 which varied in the range of 0.58 – 3.24 tends to have an average value of 1.211 more than 1. Tobin's Q value of more than 1 indicates that management is successful in managing the company's assets and has a high investment growth potential. This happens because the greater the market Firm Value's assets compared to the book Firm Value's assets, the greater the investor's willingness to make sacrifices which is more to invest in those companies.

Tobin's Q value, which is smaller than 1, corroborates the statement that there are several determining factors that work to influence the Firm Value. The value of the company must continue to be considered because shareholders have a very large interest in the company. The Firm Value is considered important to keep shareholders satisfied with the company's management and still willing to invest in the company. In addition to being important for shareholders, the Firm Value is also important for potential investors. Potential investors will be sure to invest in the right company by considering information, one of which is the Firm Value, because the prosperity of shareholders will be reflected in increased value of the enterprise.

The success of the company that is observed from the Firm Value cannot be separated from the success of company managers. The placement and selection of reliable managers is an important need for the company. For a manager, Firm Value is a benchmark for the work achievements that the manager has achieved. An increase in the Firm Value indicates an improvement in the company's performance. The Firm Value is the investor's perception of the success rate of the manager in managing the company's resources entrusted to him that are often associated with the stock price. The National Private Commercial Bank has managers who are able to control the running of the company so that the Tobin's Q index. For investors, the increase in the Firm Value will make these investors interested in investing in the company, thus making the company's stock price increase.

2. *Structural Equation Analysis of Partial Least Square Model (SEM-PLS)*

a. Inner Model Evaluation Results

Evaluation of structural models (inner model) is a measurement to evaluate the level of accuracy of the model in the study as a whole both variables and indicators. The evaluation of the inner model can be measured from R-Square, Q-Square, and Goodness of Fit Model (GoF) on the results of PLS measurements.

1) R-Square (R^2)

R-Square (R^2) is used to indicate the strong influence that a dependent variable has on a dependent variable in a model. The results of testing inner models with R-Square are

shown in the following table.

Table 10:- R-Square Results (R^2)

Variable	R^2
Firm Values	0.733

Source: Data diolah researcher.

The interpretation of the R-Square results shows a good model when the value is 0.67, a moderate model with a value of 0,33, and a weak model with a value of 0.19 (Ghozali, 2016). Based on table 15, it is known that the R-Square value in the Firm Value variable is 0.733 so it can be categorized as a good model. That is, the Firm Value is able to be explained by liquidity, capital, profitability, managerial ownership, institutional ownership, independent commissioners and audit committees by 7 3.3%, and the remaining 2 6.7% is explained by variations of other variables outside the model.

2) Q-Square (Q^2)

Q-Square Predictive Relevance (Q^2) is a measure of how well the observations are made by the model. Ghozali (2016) determined the criteria for strong weak models based on Q-Square, including: 0.35 (strong model), 0.15 (moderate model), and 0.02 (weak model). The results of the Q-Square calculation in this study are:

$$Q^2 = 1 – (1 – R_1^2)$$
$$= 1 – (1 – 0.733)$$
$$= 1 – (0.267)$$
$$= 0.733$$

Based on the calculation results above, it can be concluded that the research model in this study is categorized as a strong model, meaning that 73.3% of the company's value variable can be predicted by the variables of liquidity, capital, profitability, managerial ownership, institutional ownership, independent commissioners and audit committees and 2 6.7% are explained by other variables not found in this research model.

Table 11:- T-Statistics and P-Values

Var	Path Coef f.	T-Stat .	T-Tabl e	P-Valu es	Informati on
Liquidity→ Firm Value	0,39 8	0.01 2	2,00 0	0,999	Hypothesi s Rejected
Capital→ Firm Value	0,17 0	2,05 8	2,00 0	0,043	Hypothesi s Accepted
Profitability → Firm Value	0,15 7	2,11 3	2,00 0	0,038	Hypothesi s Accepted
Institutional Ownership → Firm Value	0,24 3	0,71 5	2,00 0	0,477	Insignifica nt
Managerial Ownership → Firm Value	0,57 5	2,02 4	2,00 0	0,044	Significant
Independen t Ownersip→ Firm Value	0,01 4	0,01 0	2,00 0	0,999	Insignifica nt
Audit commitee → Firm Value	0,22 2	2,10 7	2,00 0	0,039	Significant
X1*M1→ Firm Value	0,00 9	0,02 2	2,00 0	0,983	Hypothesi s Rejected
X2*M1→ Firm Value	0,23 4	0,41 5	2,00 0	0,660	Hypothesi s Rejected
X3*M1→ Firm Value	0,05 6	0,11 2	2,00 0	0,911	Hypothesi s Rejected
X1*M2→ Firm Value	0,17 0	2,03 1	2,00 0	0,044	Hypothesi s Accepted
X2*M2→ Firm Value	0,14 0	2,03 6	2,00 0	0,044	Hypothesi s Accepted
X3*M2→ Firm Value	0,01 0	2,14 1	2,00 0	0.040	Hypothesi s Accepted
X1*M3→ Firm Value	0,02 2	0,02 0	2,00 0	0,998	Hypothesi s Rejected
X2*M3→ Firm Value	0,24 8	0,01 0	2,00 0	0,999	Hypothesi s Rejected
X3*M3→ Firm Value	0,04 6	0.01 5	2,00 0	0.999	Hypothesi s Rejected
X1*M4→ Firm Value	0,01 0	0,03 2	2,00 0	0,974	Hypothesi s Rejected
X2*M4→ Firm Value	0,65 2	2,12 8	2,00 0	0,037	Hypothesi s Accepted
X3*M4→ Firm Value	0,56 4	2,06 9	2,00 0	0,042	Hypothesi s Accepted

❖ ***Discussion***

Furthermore, the test results of this research discussion are as follows:

Liquidity of National Private Commercial Banks for the period 2015 to 2020 is included in the category of quite healthy. A high liquidity ratio indicates that a bank lends all its funds or is relatively illiquid. Conversely a low ratio indicates a liquid bank with an overcapacity of funds ready to be loaned out. Lending is the main activity of the bank, therefore the main source of income of the bank comes from this activity. The greater the distribution of funds in the form of credit compared to public deposits or deposits at a bank carries consequences, the greater the risk that must be borne by the bank concerned. As Cashmere (2014:110) argues that the liquidity ratio is a ratio that describes the company's ability to meet short-term obligations. Thus, if the company is collected, the company will be able to meet debts, especially debts that have matured. High liquidity will

minimize the risk of the company's failure to meet short-term obligations to creditors. Conversely, a low level of liquidity means that the total current assets owned by the company are smaller. This will increase the risk of the company's failure to be able to fulfill all financial obligations that must be fulfilled.

Capital proxied by CAR at National Private Commercial Banks for the period 2015 to 2020 is able to maintain CAR at the minimum limit, which means protecting customers and maintaining overall financial system stability. The greater the value of CAR reflects the better the ability of banks to deal with possible risks of loss. As the opinion of Dendawijaya (2015) which states that Bawha Capital Adequacy Ratio is a ratio that shows how large the total amount of all bank assets containing elements of risk (credit, participation, securities, bills at other banks) which are also financed from the bank's own capital, in addition to obtaining funds from sources outside the bank. Capital Adequacy Ratio is a ratio that indicates the bank's total assets that include risk components, including credit, the inclusion of securities and bills at other banks participating in the bank's capital, as well as funds originating from outside the bank.

The profitability of National Private Commercial Banks during the observation period from 2015 to 2020 was able to generate profits. High profitability will lure investors to invest money in the expansion of the bank's business, on the contrary investors are reluctant to invest or even withdraw their funds if profitability is low. Meanwhile, for banks, the effectiveness of managing their business can use profitability as an evaluation tool. The higher the profitability gives a good sign to investors to acquire bank shares. If investors realize the desire to own shares into demand for company shares, it is possible that demand will increase. An increase in demand on the one hand and a stagnant supply of shares on the other will increase the stock price. This constant high demand also reflects the investors rate the company in the market higher than the Firm Value listed in its financial statements. As brigham & Ehrhardt (2011:98) argues that profitability as the level of operational effectiveness of a company so that it can provide a good rate of return.

Good corporate governance is the principles that underlie a company's management process and mechanism based on laws and regulations and business ethics. The implementation of GCG principles / good corporate governance can improve company performance and long-term economic value for investors and stakeholders. The implementation of GCG can be encouraged from two sides, namely ethics and regulations. The encouragement of ethics (ethical driven) comes from the awareness of individual business people to carry out business practices that prioritize the survival of the company, the interests of stakeholders and avoid ways of creating a momentary profit. In the structure of Good Corporate Governance, there are elements, namely institutional ownership, managerial ownership, independent commissioners and audit committees. These elements play a role in processing the company to generate the expected financial profit and also carry out non-financial activities. Regulatory driven "forces" companies to comply with applicable laws and regulations (General Guidelines for Good Corporate Governance Indonesia, 2006). The implementation of good corporate governance is considered to be able to improve the company's image, protect the interests of stakeholders and improve compliance with applicable laws and regulations and general ethics in the industry in order to image a healthy corporate system. The implementation of GCG is very necessary to build public and international trust as an absolute requirement for companies to develop properly and healthily. Assessment of corporate governance can be carried out in many points of view, including the high composition of the membership of the independent board of commissioners, the availability of an audit committee, the implementation of good corporate governance needs to be considered in an effort to maximize Firm Value.

GCG as a pattern of relationships, systems, and processes used by company organs (Board of Directors, Board of Commissioners, GMS) to provide added value to shareholders in a sustainable and sustainable and sustainable manner long-term, while taking into account the interests of other shareholders , based on applicable laws and norms (Daniri, 2014). The concept of good corporate governance emphasizes the importance of obtaining correct, accurate, and timely information for shareholders and the obligation to disclose accurately, timely, and transparently to all information about the company's performance, ownership, and stakeholders. In this study, all companies have an independent board of commissioners. Independent Commissioners are members of the commissioners who have no affiliation with other members of the commissioners, members of the board of directors, and controlling shareholders.

The five pillars of good corporate governance are openness, accountability, accountability, independence and equality and fairness. The existence of independent commissioners aims to support the pillar of independence. Independent commissioners can provide opinions that are considered appropriate and optimal for the company. The Board of Directors and the Board of Commissioners of the company also have an independent opinion for decision making, of course, without prejudice to the possibility of obtaining opinions or suggestions that are independent of legal consultants, human resources, and other independent consultants.

Another part of good governance is the provision of an audit committee. Although there are banks that have less than 3 audit committees, the company still compensates with the availability of an independent board of commissioners. The company doesn't want to get a low valuation from investors. A company with good governance must have an audit committee. An audit committee is a committee established by and responsible to the board of commissioners and helps carry out the duties and functions of the board of commissioners. The audit committee is responsible for overseeing financial statements, supervising external audits, and observing the internal control system so as to reduce the opportunistic nature of management that conducting earnings

management. Companies that have top shares explain that GCG is getting better. Controlling shareholders have a strong incentive to supervise managers and maximize profits when having financial claims against the company (substantial cash flow rights). This shows the commitment of the controlling shareholder not to expropriate which implies the aligment effect, which is the actions of the controlling shareholder in line with interests of minority/non-controlling shareholders.

The Firm Value is the investor's perception of the success rate of the manager in managing the company's resources entrusted to him that are often associated with the stock price. One alternative that can be used to determine the proxy of the value of a company is the ratio Q (Tobin's Q), developed by James Tobin (1967). Tobin's Q is determined as the ratio of the market value of an asset to the book value of the asset. Tobin's Q is an indicator to measure the company's performance, especially about the Firm Value, which shows a management proforma in managing company assets. Nilai Tobin's Q > 1 shows the share price is in an overvalued condition which means management has been successful in managing the company's assets. On the contrary, the stock price is undervalued which means that management has failed in managing the company's assets.

The Firm Value in this study is proxied with Tobin's Q with the consideration that this ratio is a valuable concept for measuring shareholder prosperity, as it shows financial market estimates currently about the return value of each unit of money for additional (incremental) investments. The high Firm Value is the desire of the shareholders becauseit shows high prosperity as well. The wealth of the shareholder and the company is presented by the market price of his shares.

The market will believe not only in the company's current performance but also in the company's future prospects with an increase in the company's value. The value of a company seeks a collective assessment of investors about the performance of a company, both current performance and future projections (Brealey et al, 2007). For a manager, Firm Value is a benchmark for the work achievements he has achieved. An increase in the Firm Value indicates an improvement in the company's performance. Indirectly, this is seen as an ability to increase shareholder prosperity which is the goal of the company. For investors, the increase in the Firm Value will make these investors interested in investing in the company because the company's stock price has increased.

In principle, an increase in shareholder prosperity means an increase in the Firm Value, so the Firm Value is considered important to keep shareholders satisfied with management company and still willing to invest in the company. In addition, the Firm Value is also important for potential investors, so that potential investors are sure to invest in the company because the prosperity of its shareholders is considered by well.

- *The Effect of Liquidity on Firm Value*

Based on the results of the analysis, it shows that liquidity as measured by LDR has a positive effect, but not significantly on the Firm Value. This shows that high and low liquidity does not have an impact on the Firm Value. The higher liquidity does not give a good signal to investors, with high liquidity indicating that its operational activities are disrupted so that the bank cannot generate large profits because it is disturbed by debt. The higher liquidity does not add to the interest of investors and this does not have an impact on the Firm Value in the bank. Liquidity is used to measure a bank's ability to pay its short-term obligations or debts that are immediately due at the time of being collected in their entirety. In other words, how much current assets are available to cover short-term liabilities as soon as they mature, or it can be said to be a form to measure the level of security of a bank. Periansya (2015) stated that liquidity is a ratio used to meet short-term financial obligations. High liquidity will minimize the risk of the company's failure to meet short-term obligations to creditors. Conversely, a low level of liquidity means that the total current assets owned by the company are smaller. This will increase the risk of the company's failure to be able to fulfill all financial obligations that must be fulfilled.

The management of bank liquidity is the provision of funds sufficiently timely to fulfill its obligations, especially to meet the regulations of the central bank or government, and to establish good relations with current savings banks, referring to the bank's ability to balance in order to be balanced. Savings, current account holders, debtor withdrawal needs, and long-term debt repayment. Bank liquidity must be managed to meet customer needs in receiving funds and disbursing credit (loans) to borrowers (debtors). If the LDR value is too high, it means that the bank does not have enough liquidity to meet customer obligations. Conversely, if the value of the LDR is too low, it means that the bank has sufficient liquidity, but the banking industry is known to generate income from lending, so the bank's income is low. Liquidity is critical to the sustainability of banking operations as it requires effective management and control to avoid serious problems in the future. The lack of liquidity in banks has a wider impact and can affect the banking system. Liquidity management is a routine activity in the banking industry, and the funds managed are mainly third-party funds and are inherently highly volatile. Banks need to carefully consider their liquidity needs over a period of time, as liquidity needs depend largely on customer behavior and the nature of funding sources controlled by the bank.

Liquidity management not only helps to gauge the bank's current liquidity position, but also helps to know what funds are needed in different scenarios when different framework conditions occur. The provision of credit to the customer during the credit period is not always under the control of the bank. Loans can also decide whether to borrow short-term or long-term. Loans have their own strategies in managing funds. Most of the bank's funds are obtained through contracts with customers. This means that the funds can be withdrawn immediately as needed when the old customer, savings account, or time deposit expires. Therefore, it is necessary to have a relationship between the funds raised and how the funds are invested. The results of this study support Hedander (2005), Putri & Ukhriyawati

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(2016), Lumoly et al, (2018 who stated that liquidity has no effect on the Firm Value. However, the results of this study do not support Fadhli et al, (2015), Halimah & Komariah (2017), Mery et al, (2017), Permana & Rahyuda (2019) which states that the current ratio affects the Firm Value.

- *The Effect of Capital on Firm Value*

Capital affects the Firm Value, which means that the higher the capial value can increase the Firm Value. Capital as measured by CAR, CAR demonstrates management's ability to ensure capital adequacy by identifying, monitoring, and managing risks that may arise and affect capital levels. The capital adequacy ratio is a key performance indicator of a bank to measure the adequacy of a bank's capital to support assets that carry or pose risks. A high CAR allows banks to absorb potential losses from credit and securities transactions. In addition, if the CAR is high, the public and investors believe in the capital capacity of the bank, the funds absorbed from the community increase, and ultimately the Firm Value.

The minimum CAR set by the Bank for International Settlements (BIS) is 8%. In other words, if the CAR is less than 8%, then the capital structure of the bank is unhealthy. The reason for the importance of the minimum Capital Adequacy Ratio (CAR) is to ensure that the bank has enough cushion to absorb a reasonable amont of losses before the bank goes bankrupt and consequently loses depositor funds. The capital adequacy ratio ensures the efficiency and stability of a country's financial system by reducing the risk of banks becoming insolvent. In general, banks with a high capital adequacy ratio are considered safe and tend to meet their financial obligations. As siamat (2014) argues that capital according to is the funds planted by the owner in the context of establishing a business entity intended to finance the bank's business activities other than meet the established conditions . Investors will feel safe to invest their money in a bank if the bank's capital adequacy is used to maintain public trust. The greater the Capital Adequacy Ratio (CAR) of a bank becomes an attraction for investors to trust and be willing to invest their funds, which in turn causes the stock price to rise which has an impact on increasing the Firm Value. The results of this study support Halimah & Komariah (2017), Prabawati et al, (2021) who stated that CAR affects the Firm Value. However, the results of this study did not support Ningrum (2017) who found that capital had no effect on the Firm Value.

- *The Effect of Profitability on Firm Value*

Profitability proxied with ROA has a significant effect on the Firm Value. This can be interpreted to mean that ROA can be used as a basis for determining the rise and fall of Firm Value. The greater the ROA, the higher the Firm Value. To increase the Firm Value which also means prospering the welfare of shareholders, then of course the step for the company is to find investment opportunities that can really produce high rate of return on investment. Because the higher the high ROA will make the company's value increase. As the opinion (Brigham & Ehrhardt, 2011: 98) which states that profitability is the level of operational effectiveness of a company so that it can provide a good rate of return. The ROA ratio also provides a measure of the level of effectiveness of a bank's management. This is indicated by the profit generated from investment income. The bottom line is that the use of this ratio shows the efficiency of banking.

Banks with high ROA are considered safe and there is hope for profit. The more investors who are interested in buying shares, the Firm Value will also increase, because in essence the price of a stock is determined by market conditions, namely from the level of demand and supply of such shares. ROA is a benchmark for investors on the company's ability to manage their resources effectively or not. This indicates that a company that has a high ROA of its unchanged fixed costs, will increase the company's profits available to shareholders. Therefore, investors tend to invest in the company, and if the demand for shares by investors increases, it means that the Firm Value will also increase. The results showed that people who have a larged retained earnings will prefer to use retained earnings before using debt. If investors want to choose one of the many types of stocks, then the elements of the balance sheet and income statement must be compared to find out the company which one is the most productive in terms of ROA. The ROA ratio is also influenced by the size of the company's debt. If the proportion of debt is greater, this ratio will also be greater. The higher ROA is better because the profit generated by the company will be greater, and vice versa, the lower the ROA of a person the company or ROA leads to a negative number then the company will suffer losses. The results of this study support Riahi-Belkaoui (1999), Wardoyo & Agustini (2015), Fadhli et al, (2015), Agustiani (2016), Putri & Ukhriyawati (2016), Pratama & Wirawati (2016), Halimah & Komariah (2017), Ningrum (2017), Mery et al, (2017), Lumoly et al, (2018), Permana & Rahyuda (2019), Noviani et al (2019), Prabawati et al, (2021) found that profitability affects the value of the company.

- *The Effect of Liquidity on Firm Value with Institutional Ownership as a Moderation Variable*

Institutional ownership does not strengthen the effect of liquidity on the Firm Value. This can be because investors do not pay attention to the institutional ownership of the company but rather focus on bank liquidity. Liquidity indicates the bank's ability to meet its short-term obligations. The high level of liquidity indicates that the bank is in good shape so that the demand for bank shares increases and raises the stock price. As Harahap (2015:301) argues that liquidity is a ratio used to describe a company's ability to settle its short-term obligations.

Institutional ownership is underconsidered by investors in investing in banks. Although the existence of institutional ownership as a monitoring manager can lead to greater supervision efforts by institutional parties so that it can hinder the opportunistic behavior of managers. Shareholding represents a source of power that can be used to support or otherwise support the existence of a manager. With institutional ownership, it will encourage an increase in optimal supervision of manager performance and Firm Values.

- *The Effect of Capital on Firm Value with Institutional Ownership as a Moderation Variable*

Institutional ownership is incapable of moderating the influence of capital on the Firm Value. This shows that investors are less concerned about institutional ownership in investing their funds in banks, but rather consider bank capital. Capital banks in this study are in the healthy category, so investors are more focused on seeing capital banks in investing their funds in banks. Thus, a bank that has a strong capital will be able to maintain public trust in the bank, so that the public believes in raising funds at the bank concerned. The funds raised will be re-channeled by the bank to the public in the form of credit. The greater the credit given to the community's, the greater the bank's income will be obtained from interest as the main income from bank operations. The greater the interest earning, the stock price will also increase so that it will increase the Firm Value. As kasmir (2012:11) argues that capital is an assessment based on the capital that the bank has.

The higher the company's CAR, the higher the company's value, and vice versa. Capital Adequacy Ratio (CAR) is the capital adequacy ratio in banking companies. The higher the adequacy of the company's working capital, the greater the financial performance of the banking industry so that it will increase the Firm Value. The Capital Adequacy Ratio (CAR) shows capital adequacy and is an important factor for banks in order to develop their business and accommodate losses and reflect the health of the bank aiming to maintain public trust in banking credit, protecting the public from the bank concerned and to meet the provisions of its capital adequacy standards.

- *The Effect of Profitability on Firm Value with Institutional Ownership as a Moderation Variable*

Instituisonal ownership is not able to moderate the influence of profitability on the value of the enterprise. This shows that investors are less concerned about institutional ownership in investing their funds in banks, but rather consider the profitability of banks. The results of this study support Noviani et al (2019) which state that profitability affects the Firm Value with GCG as a moderation variable. Nilai ROA is a consideration for investors in investing their funds in the capital market. Investors believe that companies with high profitability have a great opportunity to make a profit, which has an impact on investors increasingly interested in buying company shares so that rising bank stock prices.

The profitability ratio reveals the final result of the entire financial policy and operational decisions carried out by the management of an enterprise. This can be interpreted to mean that ROA can be used as a basis for determining the rise and fall of stock prices. The greater the ROA, the higher the bank's share price. To increase the value of the bank which also means prospering the welfare of shareholders, then of course the step for the bank is to find investment opportunities that can really generate a level of high return on investment. As Brigham & Daves (2014) argues that profitability is the net result of a large number of policies and decisions. The ratios studied so far reveal some interesting things regarding the brilliance of the company. The size of the profit can be seen from the profitability ratio of the company. Because the higher the ROA will make the stock price increase. However, if the number of assets is idle, it can result in a lot of assets stored, resulting in the cost of using assets increasingly and resulting in reduced bank profitabilit. Then from the measurement will be able to describe the bank's performance in managing all its assets in order to achieve profit and if the calculation of this ratio is increasing high, then the better the state of a bank. The good situation in the bank, will be an attractive thing for investors to invest, because banks with a high ROA are considered safe and there are hope for profit. The more investors who are interested in buying shares, the stock price will also rise, because in essence the price of a stock is determined by market conditions, namely from the level of demand and the offering of such shares.

- *The Effect of Liquidity on Firm Value with Managerial Ownership as a Moderation Variable*

Managerial holdings moderate the effect of liquidity on the Firm Value. This shows that liquidity is a consideration for investors in investing, which is strengthened by good managerial ownership, becoming a special attraction for investors in investing their funds in the bank, so that the stock price rises which has an impact on increasing the Firm Value. Managerial ownership is an important mechanism for unifying manager incentives with shareholders. If managerial ownership increases, conflicts between managers and owners will decrease and performance will increase. Managerial ownership will motivate managers to improve performance and be responsible for increasing shareholder prosperity. Managerial ownership is a percentage of the total managerial shares of the total outstanding shares.

A high level of investment indicates that the bank's stock price is also high, this condition is not always in demand investors and cannot strengthen managerial investor confidence in the prospects of a bank, funding decisions with higher debt, are expected to limit the use of free cash flow by management. In addition, funding with high debt can be viewed by investors as the company's ability to pay its obligations. However, it turns out that these conditions can strengthen the influence of liquidity with the Firm Value, which can be because investors prefer banks with a low level of risk. Therefore, liquidity management becomes a very complex problem in the operation of banks. This is due to the thirdparty funds, most of which are short-term and unpredictable. Bank managers should pay attention to as accurately as possible the need for liquidity for a certain period of time. As Harahap (2015:301) argues liquidity is a ratio used to describe a company's ability to settle its short-term obligations" Liquidity is beneficial in helps the process of financial analysis and interpretation in the short term. By knowing the level of liquidity, a company will be able to improve its financial condition when it is known that there are things that can make the company's business performance less optimal and efficient.

➢ *The Effect of Capital on Firm Value with Managerial Ownership as a Moderation Variable*

Managerial ownership moderates the influence of capital on the Firm Value, which means that investors in investing their funds in addition to paying attention to capital are also strengthened by managerial ownership in banks. Managerial ownership is the proportion of shareholders on the part of management who are actively involved in making company decisions. Large managerial ownership in the company will be effective in supervising the company's activities. If the company has low managerial ownership, then the incentives issued to monitor the likelihood of opportunistic behavior of managers will increase. The management of the company must be more assertive in making decisions because the decision has an impact on oneself because in this case the manager is a shareholder. Large managerial ownership will be effective in supervising the activities of the company.

The higher the capital value proxied with CAR, the higher the ability of the bank concerned to bear the risk of credit or risky productive assets. This means that the high value of CAR means that the bank has proven to be able to finance operational activities and make a considerable contribution to the Firm Value. CAR is used to measure the capital that a bank has in the form of a percentage. This is a method used to measure a bank's ability to see the potential risk of loss it faces. In addition, CAR is also used to determine that a bank has sufficient capital reserves to handle certain losses to avoid bankruptcy or other potential losses. As siamat (2014) argues that capital is a fund planted by its owner in the context of establishing a business entity intended for financing bank business activities in addition to fulfilling the provisions that has been established. A bank's high CAR ratio can increase customer security and trust in the bank. As a result, the Firm Value obtained by the bank will also give a positive result.

➢ *The Effect of Profitability on Firm Value with Managerial Ownership as a Moderation Variable*

Managerial ownership moderates the influence of profitability on the value of the enterprise. This shows that investors in investing funds in banks in addition to considering profitability are also strengthened by the presence of good managerial ownership. High managerial ownership will encourage management to perform its functions properly, as it aims to improve the welfare of shareholders and for its own benefit. Managers who are shareholders of the company will be motivated to better maintain and make good use of the company's finances. Managerial ownership can help unite the interests of shareholders and managers, the higher the proportion of managerial share ownership, the better the company's performance. Managers who own shares in the company will be more careful in managing the company or making decisions within the company. More managerial ownership in the company will reduce the cost of monitoring manager behavior so that it will reduce agency costs.

Profitabiltias proxied with a high ROA are a positive signal for investors to predict that the company in the future is in favorable conditions. This will further increase the company's attractiveness to investors. The high and low profitability of the enterprise depends on the management of the company's assets which indicates the efficiency of managing the company. The higher the profitability, the higher the company's ability to make a profit so that the company's value will be higher. As Husnan (2015) argues that certain aspects such as assets and business capital enable the company to make a profit. Profitability as a reference in measuring the amount of profit is very important to know whether the company has run its business efficiently. The efficiency of a new venture can be known after comparing the profit obtained with the assets or capital that generates the profit. The results of this study support Pratama & Wirawati (2016) which states that profitability affects the Firm Value with managerial ownership as a moderation variable.

➢ *The Effect of Liquidity on Firm Value with Independent Commissioners as Moderation Variables*

Independent commissioners are unable to moderate the effect of liquidity on the Firm Value. This shows that independent commissioners are not a consideration in investing their funds in banks, but investors are more concerned about liquidity in investing their shares in banks. Independent Commissioners can represent the interests of investors so that management works earnestly. The existence of independent commissioners is numerous and increasingly fair does not have an impact on the share price, which reflects that the existence of the Independan Commissioner cannot attract investors, even though it is completely independent so that the performance of the Independent Commissioner is really good which has an impact on the rising market value reflected in investors trusting and interested investors.

This means that the amount of liquidity proxied by the LDR can increase the Firm Value. The LDR measures the amount of funds to be placed in the form of credit derived from funds raised by banking companies. LDR helps investors to observe the condition of a bank, whether it is feasible to operate, what its financial condition is, whether the receipt of funds is increasing or decreasing. The bank will borrow funds to increase interest. However, if the funds are used to fund credit management, the bank will have to bear the cost of paying interest on the debt. In addition, LDR demonstrates the quality of the bank in maintaining and serving its customers. If the deposits of funds increase, the number of customers will also increase. On the other hand, banks will lend a lot of funds to customers, thereby lowering the income level. As Jumingan (2017: 227) argues liquidity, namely the ratio to determine the company's ability to finance operations and meet financial obligations at maturity. Banks that lend funds to their customers will generate low profit margins. However, a balanced loan-to-deposit ratio is the best way for banks. If too many deposits are lent, it is likely that the economy will decline. If too few deposits are lent, the assets tend to be stable and not increase.

- *The Effect of Capital on Firm Value with Independent Commissioners as a Moderation Variable*

Independent commissioners are unable to moderate the influence of capital on the Firm Value. This shows that theexistence of independent commissioners in the company does not make an effective contribution in the process of preparing higher quality financial statements. More independent commissioners not only act as a control mechanism in the process of making financial statements, but can also prevent controlling shareholders from conducting activities that may be detrimental to the interests of shareholders. The existing system in companies in Indonesia uses a two-tier system where there is a board of commissioners and a board of directors. The function of the board of commissioners is to supervise the implementation of the board of directors. To prevent the loss of minority shareholders, the Financial Services Authority demands that 30% of the total number of members of the board of commissioners must be independent of the company and holder majority's shares.

The National Private Commercial Bank as a public company strongly supports the implementation of good corporate governance, which includes transparency, accountability, responsibility, independence and justice. An understanding of these principles is continuously instilled in all company people. This is part of the bank's commitment to maintain trust and solely for the benefit of shareholders. The Bank always makes improvements in implementing good corporate governance based on applicable regulations and laws. The Board of Directors believes that the transparent practice of good corporate governance in the company's body will strengthen the bank's competitiveness in the future. Thus the bank can lead in a tough business competition. In principle, an increase in shareholder prosperity means an increase in the Firm Value, so the Firm Value is considered important to keep the shareholders feel satisfied with the management of the company and still willing to invest in the company. In addition, the Firm Value is also important for potential investors, so that potential investors are confident of investing in the company because of the prosperity of its shareholders well observed.

- *The Effect of Profitability on Firm Value with Independent Commissioners as a Moderation Variable*

Independent commissioners are not able to moderate the effect of profitability on the Firm Value. This shows that investors are more concerned about profitability in investing in banks, so they do not consider the existence of independent commissioners. The Independent Commissioner is not a member of the management, majority shareholder, officer or in other words directly or indirectly related to the majority shareholder of a companies that supervise the management of the company so that it does not greatly affect the condition of the company's value. Independence will arise with the presence of an independent commissioner in the company. adanya independent commissioner is expected to be able to increase the role of the board of commissioners so as to create good corporate governance within the company.

Good corporate governance is the principles that underlie a process and mechanism for managing a company based on laws and regulations and business ethics. The implementation of good GCG principles can improve financial performance and long-term economic value for investors and stakeholders. The implementation of GCG can be encouraged from two sides, namely ethics and regulations. The encouragement of ethics (ethical driven) comes from the awareness of individual business people to carry out business practices that prioritize the survival of the company, the interests of stakeholders and avoid ways of creating a momentary profit.

The size of the profitability generated by the bank can be the Firm Value. Profitability is the ability of a bank to make a profit over a certain period. Investors invest shares in companies, namely to get a return consisting of yield and capital gains. The assessment of bank performance can be seen from the company's ability to make a profit, because profit is an element in creating Firm Value. The high ROA value is a positive signal for investors to predict that the company will be in a favorable condition. This will further increase the attractiveness of the bank for investors. As Shafiro (1991) argues that profitability is also useful for evaluating business performance in an economicalmanner. The high profitability of an enterprise marks the expansion of shareholders wealth and the emergence of a bright future for the company, giving positive signals to investors and increasing Firm Value. The level of profitability of an enterprise is also an important consideration for potential investors when deciding to invest in an enterprise. The results of this study do not support Noviani et al (2019) who found that profitability affects the Firm Value with GCG as a moderation variable.

- *The Effect of Liquidity on Firm Value with The Audit Committee as a Moderation Variable*

The audit committee is unable to moderate the effect of liquidity on the Firm Value. This shows that the existence of an audit committee does not strengthen investors to invest in banks, but investors only consider bank liquidity more. The Audit Committee is to assist the Board of Commissioners in carrying out the supervisory function (oversight) and is one of the main pillars in the implementation of the principles of Good Corporate Governance (GCG) in the bank. The Audit Committee performs a supervisory function over the implementation of the duties of the Internal Auditor. Members of the Audit Committee are obliged to maintain the confidentiality of the Company's documents, data and information obtained while serving as members of the Audit Committee.

Liquidity is one of the most important aspects of a bank's finances. This very important role will certainly determine the level of the bank's ability to cover its current obligations. However, if the bank is not able to manage its finances properly, it is very likely that liquidity risks will arise in the future. If this cannot be resolved immediately, it will certainly have a negative impact on the bank. Therefore, the assessment of liquidity risk becomes very important, so the company urgently needs careful analysis of the financial team

in terms of liquidity risk assessment. The finance team is a team that has the responsibility to understand the causes, liquidity risks that may arise, how to manage them and other things.

- *The Effect of Capital on Firm Value with the Audit Committee as a Moderation Variable*

The Audit Committee moderates the influence of capital thd Firm Value. This shows that the higher the value of capital and the existence of a good audit committee can strengthen investors' desire to invest their funds in banks, thus having an impact on increasing the Firm Value. Theexistence of an audit committee has an important role in ensuring the creation of good corporate governance in the bank. When the audit committee performs its duties properly, supervision becomes better so that the company's performance improves. This will affect investors' interest in investing shares into a company that will increase the stock price so that the Firm Value increases.

Management believes that good corporate governance can have a positive impact on achieving business results, increasing company credibility, and achieving the company's vision to become a company listed on the Stock Exchange Indonesia is based on high integrity and is oriented towards customer satisfaction. Every individual in the company plays an active role and provides full support in efforts to improve and improve various aspects of the company's operations, such as: increasing the Firm Value in order to meet the needs of all stakeholders, the provision of products that suit customer needs, the improvement of operating systems and governance, the development of resources human beings, and the improvement of information systems and technology. In order to realize good corporate governance, especially to improve organizational effectiveness and internal control, the company always makes and maintains effective operational system procedures run consistently. The implementation of good corporate governance can provide added value for stakeholders to the community in facing dynamic corporate challenges and risks, by prioritizing accountability, transparency, and accountability in business continuity. healthy and competitive for the long term. The concept of good corporate governance emphasizes the importance of obtaining correct, accurate, and timely information for shareholders and the obligation to make disclosures accurately, timely, and transparently to all information about the company's performance, ownership, and stakeholders.

- *The Effect of Profitability on Firm Value with Audit Committee as a Moderation Variable*

The audit committee moderates the effect of profitability on the Firm Value. This shows that the high and low profitability of the bank is an attraction for investors to invest their funds in banks that are strengthened by banks that have an Audit Committee that plays a role in bridging the relationship between external auditors and the company and also the board of commissioners of internal auditors. The audit committee plays an important role in carrying out supervisory functions and maintaining the credibility of the financial statement preparation process. With the existence of an audit committee, supervision of the company will be better, so that agency conflicts that occur due to management's desire to increase their personal interests can be minimized. The financial services authority requires that public companies must have an audit committee and an audit committee chaired by an independent commissioner (general guidelines GCG, 2006).

The size of profitability can affect the Firm Value, the higher the company's ability to generate profits can create higher Firm Value to optimize the wealth of shareholders. Increasing Firm Value is a company achievement that is in accordance with the wishes and expectations of the company owners, because the increase in Firm Value will affect welfare of the owner of the enterprise. The higher the company's ability to make a profit, the more it will increase the Firm Value as indicated by an increase in the company's share price. Companies that have a large profitability every year, tend to be in demand by many investors. Thus the bank must be in favorable conditions, because without profit, it will be difficult for the bank to interest investors to invest its funds in stocks companies. Therefore, efforts to increase profitability are important for the sustainability and future of the bank. Thus, implementing good corporate governance is believed to be able to increase the Firm Value and also the benefits that will be obtained by shareholders. Research results of Riahi-Belkaoui (1999), Wardoyo & Agustini (2015), Fadhli et al, (2015), Agustiani (2016), Putri & Ukhriyawati (2016), Pratama & Wirawati (2016), Halimah & Komariah (2017) , Ningrum (2017), Mery et al, (2017), Lumoly et al, (2018), Permana & Rahyuda (2019), Noviani et al (2019), Prabawati et al, (2021) proves that profitability affects the value of the company.

IV. CONCLUSION

The liquidity condition of National Private Commercial Banks for the period 2015 to 2020 is in the healthy category. The healthy LDR ratio set by the OJK ranges from 78% to 94%. Judging from the capital, the condition of the bank is included in the healthy category, which is far above the minimum limit of 8% set by the OJK. This condition is an attraction for investors to apply their funds to banks. Good corporate governance is measured by institutional ownership, managerial ownership, independent commissioners and audit committees. Thecompany's N ilai is proxied with a value of Tobin's Q has an average value of more than 1, thus the management is successful in managing the company's assets and has a high investment growth potential and can increase shareholder prosperity.

Liquidity does not have a significant effect on the Firm Value. The high and low value of liquidity is not a consideration for investors in investing funds in bank companies.

Capital has a significant effect on the Firm Value. The high and low capital is a consideration for investors in investing their funds in bank companies.

Profitability has a significant effect on the value of the enterprise. High or low profitability can affect the value of a company, and the more profitable a bank is, the higher its value is to optimize the wealth of shareholders. The increase in the value of an enterprise affects the well-being of the owner of the company, so it is the result of the company to fulfill the wishes and expectations of the owner of the company.

Institutional ownership does not moderate the effect of liquidity on the Firm Value. Institutional ownership does not strengthen investors' decisions in investing their funds in banks, but investors consider liquidity more in investing in their funds.

Institutional ownership does not moderate the influence of capital on the Firm Value. Institutional ownership does not strengthen investors' decisions to invest their funds in banks, but investors consider capital in investing their funds.

Institutional ownership does not moderate the effect of profitability on the value of the enterprise. Institutional ownership does not strengthen investors' decisions in investing their funds in banks, but investors consider profitability in investing their funds, because the survival of a bank must be in a condition that is profitable or profitable.

Managerial holdings moderate the effect of liquidity on the Firm Value. Managerial ownership can strengthen investors' decisions in investing their funds in banks, in addition to considering the liquidity of the company in investing in its funds.

Managerial ownership moderates the influence of capital on the Firm Value. Managerial ownership strengthens investors' decisions to invest their funds in banks, in addition to considering capital in investing in their funds.

Managerial ownership moderates the influence of profitability on the value of the enterprise. Banks that have high profitability are considered by investors to invest in banks, and supported by good managerial ownership, it can strengthen investors in investing in banks.

Independent commissioners do not moderate the effect of liquidity on the Firm Value. The existence of an independent commissioner is not a consideration for investors in investing their funds in banks, but investors tend to pay attention to the level of bank liquidity.

Independent commissioners do not moderate the influence of capital on the Firm Value. The existence of an independent commissioner is not a consideration for investors in investing in banks, but rather paying attention to the value of capital in banks in investing their funds in banks.

Independent commissioners do not moderate the effect of profitability on the value of the enterprise. The existence of an independent commissioner is not a consideration for investors in investing in banks, but rather paying attention to the high and low profitability of banks in investing their funds in banks.

The audit committee does not moderate the effect of liquidity on the Firm Value. The existence of an audit committee is not a consideration for investors in investing their funds in banks, but investors tend to pay attention to the level of bank liquidity.

The audit committee moderates the influence of capital on the Firm Value. Banks that have good capital value are considered by investors to invest in banks, and supported by a good audit committee can strengthen investors in investing in banks.

The audit committee moderates the effect of profitability on the Firm Value. Banks that have high profitability are considered by investors to invest in banks, and supported by a good audit committee can strengthen investors in investing in banks.

For banks, it should optimize the Firm Value by considering liquidity, including by taking into account that the ratio between capital and credit versus two and one. Also paying attention to capital which when greater than the figure of 8% indicates that the banking capital is getting better and what should not be ignored is the level of profitability, the figure of 2.5% being the basis that the ability to produce banking that is greater than the figure shows a good indication. Because this is very decisive for thecompany, thus many investors will invest so that they increase capital. Theexpansion of the distribution of shareholdings, both through the capital market and joint stock, resulted in a dispersal of ownership that spread with the expansion of small shareholders, both in the hands of individuals, foundations, cooperatives, pension funds, and other entities. Reducing the concentration of shareholding by certain families can reducethe unhealthy (morally Harzad) prakt i k-praktik which harms minority shareholders.

For the Financial Services Authority, there is continuous monitoring of regulations on Good Corporate Governance in order to restore public and investor confidence in the capital market in Indonesia, as a form of investor protection and accounting arrangements of public enterprises.

For people who want to invest in the capital market, they should consider the bank's financial performance in making investment decisions, so that the company's financial prospects can be known in the future and the further development of the company. Where good corporate governance and profitability can be used as an analytical tool that can be representative in measuring the company's financial performance.

Recommendations for the development of this research in the future, perlu retest the Effect of Liquidity, Capital and Profitability on Firm Value with the Variable Good Corporate Governance as a Moderation Variable. Can add variabel other research such as: leverage, capital structure and dividend policy. The object of the study was carried out on non-bank

companies such as manufacturing companies, as well as other service companies. Thescope of research is from national to international.

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