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Return On Asset And Firm Size To Value Of Firm: Study On Banking Financial Industry Listed On Indonesian Stock Exchange

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Abstract

This study aims to analyze the influence of Return on Assets and firm size on firm value within the banking sector listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. Firm value in this study is proxied by the Price-to-Book Value (PBV) ratio. The independent variables employed are Return on asset (ROA), serving as an indicator of profitability, and firm size, measured using the natural logarithm of total assets. This study utilizes a quantitative method employing multiple linear regression analysis. The data used is secondary data derived from the banks' annual financial reports, obtained from the official IDX website and individual company publications. The sample was selected using a purposive sampling method to identify banks that met the established criteria throughout the observation period. The results indicate that, when analyzed individually, Return on Asset (ROA) does not have a significant effect on firm value. Conversely, firm size has a positive and significant effect on firm value, implying that larger firm size leads to higher investor appreciation for the company. When analyzed simultaneously, both Return on Asset (ROA) and firm size have a significant effect on firm value. Thus, it can be concluded that Return on Asset (ROA) has a positive but insignificant effect, whereas firm size has a positive and significant effect.

Keywords: ROA, Firm Size, Firm Value

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INTRODUCTION

In the modern economy, the banking sector plays a vital role in maintaining the stability and growth of the national economy. As financial intermediaries, banks are tasked not only with mobilizing and channeling public funds but also with serving as a crucial pillar in supporting investment and consumption activities. A banking firm's value reflects its performance, reputation, and investment appeal, making it a primary focus for management, investors, and other stakeholders.

One key indicator for assessing a bank's financial performance is Return on Assets (ROA). ROA reflects management's efficiency in utilizing corporate assets to generate profit. A higher ROA indicates a superior ability to generate earnings from total assets (Kusjono and Aryanti 2021). In the capital-intensive banking industry, optimal asset management is a critical determinant of a firm's sustainability and competitiveness.

In addition to ROA, firm size is another factor influencing firm value. Firm size reflects operational scale and resource endowment, which can foster investor confidence regarding the company's stability and long-term prospects. Large firms tend to enjoy easier access to external financing, broader business diversification, and greater resilience against economic crises (Fajriah, Idris, and Nadhiroh 2022).

However, the relationship between ROA, firm size, and firm value is not always linear or consistent, particularly in the banking sector, which is shaped by strict regulations, economic volatility, and financial market dynamics. Therefore, it is essential to conduct empirical research examining the impact of ROA and firm size on firm value, specifically within the Indonesian banking industry during the 2019–2024 period a timeframe encompassing the pre-pandemic, pandemic, and post-pandemic phases of COVID-19.

In the modern economy, the banking sector plays a vital role in maintaining national economic stability and growth. As financial intermediaries, banks not only mobilize and allocate public funds but also serve as key pillars supporting investment and consumer spending. A banking firm's value reflects its performance, reputation, and investment appeal, making it a primary focus for management, investors, and other stakeholders.

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Research Objectives

1. To analyze the effect of Return on Assets on firm value in the banking industry sector for the 2019–2024 period.
2. To analyze the effect of firm size on firm value in the banking industry sector for the 2019–2024 period.
3. To analyze the simultaneous effect of Return on Assets and firm size on firm value in the banking industry sector for the 2019–2024 period.

Previous Studies

Rahima and Muid (2022), in their study titled "The Influence of Financial Performance and Firm Size on Firm Value (A Study of Banking Companies Listed on the Indonesia Stock Exchange, 2018–2020)," found that Return on Assets (ROA) has a positive and significant effect on firm value. Meanwhile, firm size has a positive but insignificant effect. This study utilized the variables NPL, LDR, ROA, and firm size, using Price to Book Value (PBV) as a proxy for firm value.

Ikhwan, L.D.S. (2021), in the journal article "Financial Performance and Firm Value: The Role of Firm Size in Conventional Banking Companies on the IDX," stated that firm size acts as a moderating variable that strengthens the relationship between financial performance and firm value. This implies that larger firms experience an enhanced impact of financial performance on firm value.

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Asraruddin, Zhang, and Sari A. (2023), in their study titled "The Influence of Firm Size and Leverage on Financial Performance in Indonesian Banking Companies (2018–2023 Period)," demonstrated that firm size does not have a significant effect on ROA. Although the study focused on financial performance, the findings imply that firm size does not always guarantee strong profitability.

Syahrani, Merawati, and Tandio (2023) conducted a study titled "The Influence of Leverage, Growth, Firm Size, Risk Profile, and Profitability on Firm Value (An Empirical Study of Banking Companies on the IDX, 2019–2021)." The results indicated that profitability (ROA) and firm size have a positive and significant effect on firm value. This study also incorporated the variables of risk profile and growth.

THEORETICAL REVIEW

Financial management focuses not only on raising funds but also on ensuring that these funds are utilized efficiently to generate added value for the organization or individual. Its objective is to ensure the smooth operation of business activities including production and distribution in an effective and efficient manner.

According to Brigham and Houston (2019), financial management is defined as the process of planning, controlling, and making financial decisions undertaken by a company to manage its financial resources effectively and efficiently. Financial management encompasses specific objectives and functions, including:

Objective

The objective of financial management is to maximize shareholder wealth by maximizing the company's value. Corporate value can be reflected in the company's stock price (Hariyani, 2021).

Functions

According to Jaya et al. (2018), the functions of financial management include: Planning is a crucial management function. Through effective planning, a company can map out its future prospects. Companies can create plans or forecasts regarding profit and loss tailored to their specific needs whether for the short, medium, or long term and Controlling is another key function of financial management. Generally, the execution of this function is followed by an evaluation process. It allows the company to identify problems that need correction or improvement. Through this function, the company can detect any irregularities in its financial management.

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Auditing

The purpose of internal auditing is to validate or ensure that the company's financial management is operating correctly and in compliance with established regulations. Conducting regular audits helps mitigate the risk of financial loss resulting from employee negligence.

Budgeting

Budgeting is a financial management function involving the allocation of funds to meet the company's needs. By allocating funds or budgets as efficiently as possible, the company can achieve optimal results. Allocations or company requirements may include employee salaries, building operational costs, or other needs.

Reporting

Through financial management, a company can assess its financial standing. This function facilitates future business decision-making by enabling the company to analyze its operations. Financial reporting is typically conducted on a regular, phased basis ranging from quarterly to annual intervals.

Signaling Theory

Signaling serves to describe the behavior of individuals or organizations seeking to gain access. Signaling theory is a fundamental approach aimed at reducing information asymmetry between two parties (Connelly et al., 2011). The theory was developed to explain the activities of corporate insiders regarding information about a company's operations and prospects as conveyed to external investors. Due to information asymmetry, it is very difficult for investors to distinguish between high-quality and low-quality companies. Managers may present unbalanced or unhelpful information; regardless of whether the company is performing well or poorly, managers will often claim that it possesses favorable growth prospects and profit potential.

However, investors will assign a low average valuation to the company overall. In signaling theory, this is referred to as a "pooling equilibrium," where high-quality and low-quality companies receive the same "pooled" valuation (Megginson, 1997). Information asymmetry or unbalanced information describes a situation where managers possess different (and more extensive) information regarding a company's condition or prospects compared to investors (Brigham & Houston, 2019). This asymmetry arises because

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management holds information that can be used to issue statements intended to alter the perceptions of external parties (Husnan, 2019:325).

Brigham and Houston, (2019) This theory posits that companies possess internal information unknown to external parties, such as investors, creditors, and regulators. To mitigate information asymmetry, companies can transmit signals through various publicly accessible performance indicators. These signals are interpreted by the market as reflections of the company's condition and prospects.

In the banking industry, financial signals are particularly crucial because banking is a trust-based sector. Investors and other stakeholders rely heavily on reported financial information to assess the risks and returns associated with a bank's activities. In the context of this study, signaling theory is employed to explain how Return on Assets (ROA) and firm size serve as signals conveyed by management to investors to assess firm value, specifically within the banking sector.

ROA indicates a company's ability to generate profit from its total assets. Within signaling theory, a high ROA serves as a positive signal that the company is managed efficiently and productively, and possesses favorable future profit prospects. In the banking industry where managed assets are vast and complex (comprising, for instance, loans, securities, and cash) a bank's ability to generate profit from its assets is vital. ROA that increases over time demonstrates effective asset and risk management, which can boost investor confidence and drive an increase in the firm's market value.

Relationships Between Research Variables

This study examines the influence of two independent variables Return on Assets (ROA) and Firm Size on Firm Value, which serves as the dependent variable. The relationships among these three variables have been demonstrated in various prior studies and can be theoretically explained through signaling theory.

The Relationship Between Return on Assets and Firm Value

Return on Assets is a profitability indicator that demonstrates a company's efficiency in utilizing its assets to generate profit. A higher ROA indicates greater efficiency in asset management, thereby reflecting strong financial performance. In accordance with signaling theory, this sends a positive signal to investors, suggesting that the company has bright prospects and the potential to increase its value (Atrianingsih and Nyale 2022).

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Numerous prior studies indicate that ROA has a significant positive impact on firm value, including within the banking sector. Therefore, in the context of this study, it is expected that a higher bank ROA will correspond to a higher firm value, as reflected by share prices or the Price-to-Book Value (PBV) ratio.

The Relationship Between Firm Size and Firm Value

Firm size reflects a company's operational scale and financial stability. Companies with substantial total assets are considered better equipped to handle business risks, reach broader markets, and access external funding more easily. According to signaling theory, large firms can project greater credibility to investors, as they are assumed to possess more professional management and robust organizational structures (Widyaningsih, Susilowati, and Andriana 2022).

Empirical research often demonstrates that firm size has a positive influence on firm value, particularly in financial sectors such as banking. Investors tend to perceive large firms as more stable and lower-risk, factors that can ultimately enhance firm value.

ResearchFramework

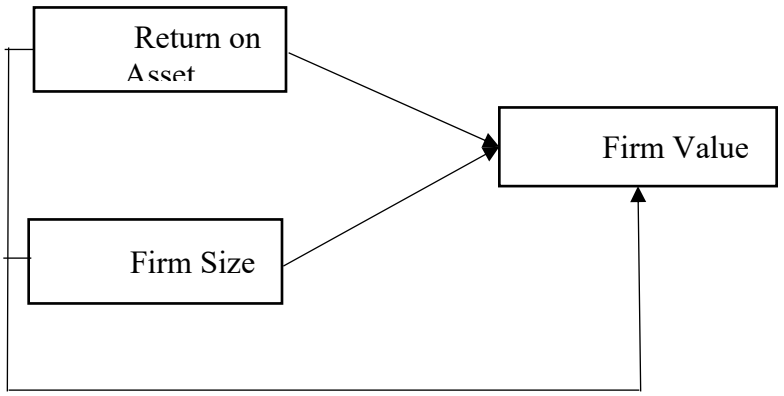


Figure: Research Framework

Research Hypotheses

Based on the conceptual framework above, the hypotheses for this study are as follows

H1: Return on Assets has a positive and significant effect on firm value in the banking industry sector for the 2019–2023 period.

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H2: Firm size has a positive and significant effect on firm value in the banking industry sector for the 2019–2023 period.

H3: Return on Assets and firm size simultaneously have a positive and significant effect on firm value in the banking industry sector for the 2019–2023 period.

RESEARCH METHODOLOGY

Research Time and Location

The research will be conducted from March to August 2025. The data used will be obtained from the annual financial reports of banks listed on the Indonesia Stock Exchange (IDX), accessed via the companies' official websites and the IDX website.

Research Approach

This study employs a quantitative approach with a causal-comparative research design. This approach is used to determine the influence of Return on Assets (ROA) and Firm Size on Firm Value within the Indonesian banking sector. The data used is secondary data in numerical form, which will be analyzed statistically.

Data Types and Sources

The data used in this study is secondary data obtained from official publications rather than directly by the researcher. Data sources include:

The official Indonesia Stock Exchange (IDX) website: https://www.idx.co.id/id, Annual financial reports of the respective companies, Banking industry annual reports and other relevant secondary sources

Data Collection Techniques

Data collection for this study is conducted through documentary research gathering data from documents published by authorized bodies, such as annual financial reports and company annual reports.

Data collection steps include:

1. Accessing banking company data via the IDX website.
2. Downloading and compiling data that meets the established criteria.
3. Processing the data into a tabulated format for statistical analysis.

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Population, Sample, and Sampling Technique

The population for this study consists of all banking companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. This population was selected because the banking sector possesses characteristics relevant to the variables under study such as ROA, asset size, and firm value which are regularly published.

The sampling technique used is purposive sampling, which involves selecting a sample based on specific criteria relevant to the research objectives. The sample criteria for this study are as follows:

1. Banking companies listed on the Indonesia Stock Exchange (IDX) consecutively during the 2019–2023 period.
2. Companies that published complete annual financial reports throughout that period.
3. Companies with complete data regarding ROA, total assets, and firm value (PBV).

Data Analysis Method

The data analysis method employed in this study is multiple linear regression analysis, which aims to determine the simultaneous and partial effects of the independent variables namely ROA and Firm Size on Firm Value. This analysis was conducted using SPSS software.

The regression model used in this study is:

$Y=\alpha+\beta1X1+\beta2X2+\epsilon$

Where:

Y = Firm Value
α = Constant
β1, β2, = Regression Coefficients
X1, X2, = ROA, Firm Size
e = Error

DISCUSSION

Research Description

This study focuses on the banking sector listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The data utilized are secondary data, comprising annual financial statements and stock prices published via the official IDX website, individual bank financial reports, and other relevant sources. The dependent variable in

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this study is Firm Value, proxied by Price to Book Value (PBV). The independent variables employed are Return on Assets (ROA) and Firm Size.

Sample selection was conducted using the purposive sampling method to identify banks meeting the following criteria: consistent listing on the IDX throughout the study period, publication of complete annual financial statements, and the availability of data corresponding to the research variables.

	2019			2020			2021			2022			2023		
	ROA	FS	CAPV	ROA	FS	CAPV	ROA	FS	CAPV	ROA	FS	CAPV	ROA	FS	CAPV
AGRO	0,31%	172,023	6170	0,12%	2,182,967	6,058	13,60%	42,071,374	48,106	0,08%	5,237,203	15,877	0,20%	1,392,362	9,405
AGRS	-1.79 %	4,820	1561	2,17%	2,280	1,986	0,11%	2,085,500	3,601	0,64%	480,665	2,098	0,97%	57,135	2,517
ARTO	15,89%	1,195	199	11,27%	105,703	30,523	0,10%	38,322,507	207,137	0,14%	53,271,808	125,517	0,49%	9,843,260	43,622
BABP	0,27%	33,512	1160	0,15%	82	1,253	0,18%	23,073,889	6,972	1,04%	3,439,292	3,728	0,71%	522,252	2,640
BACA	0,13%	10,404	2002	0,44%	93,177	2,786	0,22%	10,473,369	2,270	0,18%	367,038	995	0,64%	186,980	2,588
BBCA	0,70%	47,508,906	731,644	2,70%	115,234,171	661,469	2,80%	99,721,683	854,296	3,20%	87,407,712	884,807	3,60%	78,356,176	1,116,687
BBHI	1,87 %	4,854	704	1,45%	6,187	572	5,32%	5,073,661	43,373	3,44%	6,487,441	81,749	3,73%	376,377	37,433
BBKP	0,13%	496,059	3599	4,61%	4,578,202	6,827	4,93%	30,557,173	13,374	6,27%	3,692,132	12,131	7,71%	1,772,918	18,954
BBMD	2,72%	1,197	6519	3,17%	76,746	6,479	4,31%	7,966	7,876	3,97%	1,090	8,058	3,26%	2,958	8,017
BBNI	2,4%	22,961,407	169,852	0,5%	49,274,911	81,972	1,4%	30,046,862	99,234	2,5%	37,042,948	144,928	2,6%	29,458,883	168,929
BBNP	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
BBRI	3,50%	55,223,466	532,410	1,98%	122,546,308	371,222	2,72%	116,128,546	578,753	3,76%	88,949,504	622,680	3,93%	77,407,116	813,986
BBTN	0,13%	8,085,821	25,791	0,69%	15,177,025	12,581	0,81%	14,034,379	14,887	1,02%	5,754,832	15,254	1,07%	4,791,795	18,340
BBYB	0,37%	32,785	1,600	0,34	6,576	1,781	-13.71	17,164,098	10,239	-5.2	13,699,530	9,188	-2.99	2,283,402	5,816
BCIC	X	X	x	x	x	x	x	x	x	X	X	X	X	X	X
BDMN	3,0%	7,192,176	46,444	0,5%	1,353,864	20,997	0,8%	2,115,098	25,738	1,7%	767,266	22,738	1,7%	653,815	28,350
BEKS	-2.09	1,730	3,173	-0.38	1,332	3,173	-2.94	8,076,148	4,123	-3.46	290,264	2,568	0,72%	1,052	2,568
BGTG	0,32%	137,797	819	0,10%	13,633	553	0,23%	8,169,644	2,257	0,60%	2,581,465	1,907	1,55%	103,110	1,543
BINA	0,23%	38,065	5,542	0,51%	88,553	4,478	0,44%	1,611,545	20,600	1,09%	447,034	22,512	1,17%	97,662	24,111
BJBR	1,68%	2,883,205	16,461	1,66%	2,231,242	8,474	1,73%	2,929,652	13,247	1,75%	1,620,066	14,322	1,33%	723,210	12,291
BJTM	2,73%	1,000,359	9,426	1,95%	1,568,515	7,581	2,05%	5,259,729	10,703	1,95%	1,070,023	11,000	1,87%	650,778	9,588
BKSW	0,02%	110	3,723	1,24%	1,321	1,396	8,50%	23,461,660	3,703	2,42%	167,161	2,630	0,48%	30,391	3,076
BMAS	1,13%	593	1,320	1,09%	1,264	1,153	0,79%	107,193	5,477	1,06%	23,337	6,335	0,46%	44,705	10,241
BMRI	3,03%	42,643,856	370,755	1,64%	65,889,741	229,152	2,53%	52,837,185	284,130	3,30%	57,181,868	366,135	4,03%	56,287,095	480,480
BNBA	0,96%	10,956	636	0,70%	9,249	759	0,74%	5,510,564	2,916	0,59%	1,040,652	4,116	0,71%	61,323	2,532
BNGA	0,82%	945,720	27,742	0,20%	843,050	17,914	0,70%	1,839,699	24,258	0,84%	1,207,731	25,129	1,00%	1,169,467	39,435
BNII	1.45%	147,622	18,387	1.04%	186,130	15,373	1.34%	2,369,911	25,169	1.25%	112,064	20,347	1.41%	37,829	19,292
BNLI	1,3%	7,740,845	21,655	0,9%	3,917,517	32,024	0,7%	553,904	62,505	1,1%	20,187	43,521	1,3%	9,746	34,924
BRIS	0,31%	510,142	4,858	0,81%	11,012,297	7,214	1,61%	45,977,447	83,064	1,98%	2,816,941	54,562	2,35%	7,859,722	77,179
BSIM	0,23%	3,888	9,414	0,30%	1,330	8,149	0,34%	406,576	17,566	0,54%	14,147	11,125	0,15%	6,582	17,371
BSWD	X	X		X	X	X	X	X	X	X	X	X	X	X	X
BTPN	2,3%	104,657	29,198	1,4%	41,853	17,342	2,2%	31,057	22,343	2,4%	9,850	20,165	1,7%	10,739	21,859
BTPS	13,58%	13,610,636	26,312	7,16%	9,089,182	25,015	10,72%	5,205,647	26,465	11,43%	1,626,818	21,507	6,34%	3,729,270	15,787
BVIC	0,09%	1,791	1,498	1,26%	12,762	558	0,71%	1,321,162	1,426	1,47%	938,469	1,370	0,48%	59,406	1,491
DNAR	X														
INPC	0,30%	12,500	1,095	0,11%	2,084	782	0,73%	1,971,841	2,249	0,25%	88,823	1,862	0,60%	13,475	1,341
MAYA	0.78%	710	39,931	0.12%	63	39,908	0.07%	391,655	8,727	0.04%	110,589	6,737	0.04%	15,934	5,506
MCOR	2,91%	38,958	2,404	1,71%	162,136	4,054	1,00%	3,521,688	4,805	1,50%	80,176	3,416	2,79%	49,874	2,740
MEGA	2.90%	493	40,331	3.64%	11,413	48,259	4.22%	84,737	55,153	4.00%	53,301	60,733	3.47%	29,587	62,767
NAGA	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
NISP	1.23%	14,109	20,331	0.85%	8,944	16,469	1.13%	124,631	15,560	1.21%	401,002	14,425	1.46%	901,993	26,918
NOBU	1,00%	6,171	3,844	0,4%	287	3,713	0,37%	726,646	4,635	0,48%	106,987	2,460	0,58%	24,376	2,469
PNBN	2,08%	1,213,263	30,989	1,91%	9,521,775	17,640	1,35%	1,189,835	17,759	1,91%	2,421,400	40,286	1,57%	571,317	25,864
PNBS	0,25%	68,232	1,399	0,06%	9,155	1,186	-6,72%	6,013,408	3,381	1,79%	1,038,615	2,690	1,51%	135,358	2,229
SDRA	1,88%	230	5,538	1,84%	1,002	5,277	2,00%	74,351	5,367	2,33%	11,535	4,877	1,72%	5,639	5,005

Based on the table, the ROA of the sample banks reveals a profitability performance range extending from very low (0.11%) to quite high (5.32%). The mean value of 2.17% indicates that, in general, the sampled banks generate net profits

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amounting to approximately 2% of their total assets. The variation (standard deviation) is relatively small (1.06%), suggesting that the disparity in profitability among the banks is not particularly wide.

The size of the sampled banking firms varies from relatively small (29.6) to large (34.4). The mean value of 30.6 indicates that the majority of the firms possess substantial assets. A standard deviation of 0.94 suggests that the differences in firm size are relatively stable and not widely dispersed.

Multiple Linear Regression

Multiple linear regression is a statistical analysis method used to determine the influence of two or more independent variables on a single dependent variable. This model is useful for understanding the extent to which each independent variable contributes to explaining the dependent variable.

Coefficients Result of Multiple Linear Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-296.742	7436.241		-.040	.968					
	ROA	1295.311	2189.670	.022	.592	.555	.145	.042	.022	.979	1.021
	Firm Size	.006	.000	.853	22.946	.000	.856	.853	.844	.979	1.021

a. Dependent Variable: Nilai Perusahaan

Source: Processed data

Based on the Coefficients table, the multiple linear regression model is obtained as follows:

The constant value indicates that if the independent variables (ROA and Firm Size) are held constant or set to zero, the Firm Value would be -296.742. However, the significance value is 0.968 (>0.05); therefore, this constant is not statistically significan

t-Test

The t-test is used to examine the partial effect of a single independent variable on the dependent variable, assuming that the other variables remain constant. This test helps determine whether an independent variable individually has a significant effect on the dependent variable.

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Based on the table above: the regression coefficient (B) is 1,295.311, the calculated t-value is 0.592, and the Sig. value is 0.555 (> 0.05). This indicates that ROA does not have a significant effect on Firm Value. Although the coefficient is mathematically positive, statistically, ROA fails to explain the variation in Firm Value within the banking sector for the 2019–2023 period.

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.133E12	2	2.066E12	271.007	.000[a]
	Residual	1.502E12	197	7.625E9		
	Total	5.635E12	199			

a. Predictors: (Constant), Firm Size, ROA

b. Dependent Variable: Nilai Perusahaan

Source: Processed data

F-Test

The F-test is used to examine the simultaneous effect of all independent variables on the dependent variable within a multiple linear regression model. This test determines whether the regression model employed is collectively valid for explaining the dependent variable.

The results of the F-test (simultaneous test) show a calculated F-value of 271.007 with a significance value of 0.00 (less than 0.05); this indicates that the independent variables—ROA and Firm Size—have a significant simultaneous effect on the dependent variable, Firm Value.

The Effect of Return on Assets (ROA) on Firm Value

The research results indicate that the Return on Assets (ROA) variable does not have a significant effect on the firm value of banking companies during the 2019–2023 period. This is evidenced by a significance value of 0.555 (> 0.05); consequently, the hypothesis is rejected. Theoretically, ROA should serve as a crucial profitability indicator, reflecting a company's ability to generate profit from its total assets. A high ROA generally signals strong financial performance, thereby boosting investor confidence and positively impacting firm value. However, this study did not find a significant effect. One possible reason is the nature of the banking industry, which is heavily influenced by regulations, economic stability, and external factors such as interest rates and monetary policy. When making investment decisions, investors may prioritize factors like

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bank size, reputation, and stability over profitability alone. These results align with several previous studies finding that ROA does not always significantly influence firm value within the banking sector.

The Effect of Firm Size on Firm Value

The research results indicate that the Firm Size variable has a positive and significant effect on firm value. This is evidenced by a calculated t-value of 22.946 and a significance level of 0.000 (< 0.05). This implies that the larger the firm, the higher its value, as reflected in its stock price in the capital market. This aligns with the theory that large firms possess competitive advantages—such as broader access to funding, operational stability, and greater investor confidence. Investors tend to perceive large banks as having more promising prospects, thereby contributing to an increase in firm value. These findings are consistent with previous research indicating that firm size is a dominant factor influencing firm value, particularly in the banking sector. 8.2.7.3.

The Influence of Return on Assets (ROA) and Firm Size on Firm Value

Based on the F-test results, a significance value of 0.000 (< 0.05) was obtained, indicating that the variables ROA and Firm Size jointly exert a significant influence on Firm Value. This demonstrates that, although ROA does not have a significant effect in isolation, it contributes to increasing firm value when combined with Firm Size. These results reinforce the view that firm value in the banking sector is influenced not only by profitability but also by the size and operational capacity of the firm. Investors tend to consider the combination of financial performance (profitability) and business scale (Firm Size) before making investment decisions.

CONCLUSION

Based on the research findings regarding "The Effect of Return on Assets and Firm Size on Firm Value in the Banking Sector Listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 Period," the following conclusions can be drawn:

Return on Assets does not have a significant effect on Firm Value. This is indicated by a significance value greater than 0.05; thus, it can be concluded that the bank's profitability level is not the primary factor considered by investors when valuing banking firms during the study period.

Firm Size has a positive and significant effect on Firm Value. The research results show that the larger the bank's size, the higher the firm value. Investors tend to place a

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higher value on banks with large total assets, as they are perceived to be more stable and possess more promising business prospects.

ROA and Firm Size simultaneously have a significant effect on Firm Value. This is evidenced by the significant F-test result, indicating that the combination of profitability and firm size influences the value of banking firms on the IDX.

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