

THE EFFECT OF LDR AND CAR ON THE FIRM VALUE OF CONVENTIONAL BANKS 2020-2025

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Abstrak

Riset ini dilaksanakan untuk menguji bukti empiris terkait keterkaitan Loan to Deposit Ratio dan Capital Adequacy Ratio terhadap nilai perusahaan pada emiten perbankan konvensional di BEI kurun waktu 2020–2025. Penelitian ini mengaplikasikan pendekatan kuantitatif berlandaskan data sekunder yang bersumber dari laporan keuangan tahunan publikasi perusahaan. Penentuan sampel memakai metode purposive sampling, menghasilkan 43 institusi perbankan dengan total 258 unit observasi. Pengolahan data dieksekusi melalui Regresi Linear Berganda memakai perangkat lunak IBM SPSS Statistics 26. Temuan penelitian membuktikan bahwa Loan to Deposit Ratio tidak berpengaruh terhadap nilai perusahaan, yang mengindikasikan bahwa volume penyaluran pembiayaan belum menjadi pertimbangan utama pemodal dalam menilai entitas bank. Sebaliknya, Capital Adequacy Ratio terbukti memicu pengaruh positif dan signifikan terhadap nilai perusahaan, menandakan bahwa ketahanan modal yang kokoh sanggup mendongkrak preferensi pasar serta pemodal sehingga menaikkan nilai entitas. Secara gabungan, Loan to Deposit Ratio dan Capital Adequacy Ratio terbukti mempengaruhi nilai perusahaan.

Kata kunci: Loan to Deposit Ratio, Capital Adequacy Ratio, Nilai Perusahaan

Abstract

This empirical investigation evaluates the impact of the Loan to Deposit Ratio and Capital Adequacy Ratio on firm value among conventional commercial banks listed on the BEI across the 2020–2025 observation window. A quantitative methodology was implemented, utilizing secondary financial information retrieved from annual corporate disclosures. Employing a purposive sampling approach, 43 banking entities were identified, yielding 258 total observational data points. Data processing was conducted via Multiple Linear Regression utilizing IBM SPSS Statistics 26. Empirical results indicate that the Loan to Deposit Ratio does not significantly affect firm value, suggesting that credit allocation levels are not the primary metric evaluated by equity investors. Conversely, the Capital Adequacy Ratio exerts a positive and statistically significant effect on firm valuation, demonstrating that enhanced capital resilience reinforces market confidence and elevates corporate worth. Simultaneously, the Loan to Deposit Ratio and Capital Adequacy Ratio jointly influence firm value.

Keywords: Loan to Deposit Ratio, Capital Adequacy Ratio, Firm Value

A. INTRODUCTION

Operating as key financial intermediaries, banking institutions occupy a critical role in Indonesia's macroeconomic framework by aggregating public capital and distributing it across diverse credit facilities. The condition of the banking sector is therefore closely related to economic stability and is also relevant to investors when evaluating the performance and prospects of banking companies. Corporate value reflects how external capital markets quantify an enterprise's

operational achievements, expansion outlook, and asset optimization capabilities. In the banking sector, this value can be measured using market-oriented indicators, including Price to Book Value (PBV) and Tobin's Q. Information disclosed through annual financial reports, particularly information concerning profitability and risk, can become an important basis for investors in making investment decisions (Refrayadi & Kufepaksi, 2024).

Among essential liquidity indicators, the Loan to Deposit Ratio (LDR) gauges the specific percentage of customer-deposited capital converted into active loan portfolios. Maintaining LDR at an appropriate level may demonstrate that a bank is performing its intermediary function effectively, which can support income generation and provide favorable information to the market (Faraghita & Andar Febyansyah, 2025). However, an excessively high LDR can increase exposure to liquidity and credit risks, potentially reducing investor confidence and affecting firm value. Simultaneously, the Capital Adequacy Ratio (CAR) serves as a vital benchmark evaluating whether an institution maintains sufficient equity buffers to absorb unexpected operational impairments. A relatively strong CAR can demonstrate greater financial capacity and resilience, thereby supporting market confidence. Nevertheless, an excessively large capital ratio may also suggest that the bank has not utilized its available funds optimally (Firdianto & Sudiyatno, 2024).

The movement of LDR and CAR throughout 2020–2025 provides an important basis for examining their possible association with firm value. The period covers major changes in the Indonesian banking industry, particularly those associated with the COVID-19 pandemic, economic recovery, changes in interest rates, and developments in banking regulation. The data examined in this study show that CAR rose from 20.60% in 2020 to 27.65% in 2024, followed by a modest decline to 26.80% in 2025. In contrast, LDR reached its lowest level of 78.10% in 2021 and subsequently increased to 87.50% in 2025. This pattern suggests a gradual strengthening of lending activities following the pandemic period. The simultaneous management of liquidity and

capital is important because banks are required to expand productive lending while maintaining adequate liquidity and sufficient capital buffers. The Financial Services Authority emphasizes the importance of sound capital positions and prudent liquidity practices in maintaining the stability of the banking system and public confidence (OJK, 2022; OJK, 2024).

The potential influence of LDR and CAR on firm value can also be viewed from the perspective of *Signaling Theory*. This theory explains that financial information disclosed by a company may convey signals to external parties regarding its financial condition, performance, and future prospects. Within the banking context, LDR and CAR can provide investors with information about the effectiveness of liquidity management, the strength of the bank's capital position, and its capacity to deal with financial risks (Brigham & Houston, 2018). When these financial indicators reflect sound and sustainable conditions, investors may respond positively, which can subsequently support an increase in the market value of the bank.

Nevertheless, the empirical evidence concerning the relationship between banking financial ratios and firm value has not produced consistent conclusions. Regarding CAR, some previous research reports a positive association with firm value, suggesting that adequate capital can strengthen a bank's ability to absorb losses and enhance investor confidence. In contrast, Wardani & Lisiantara (2026) reported that CAR did not have a significant effect on firm value, while Handayani et al. (2023) found evidence of a positive relationship. Differences in findings are also evident in research examining LDR. Although effective credit distribution may contribute to higher income and potentially improve firm value, an excessively high level of LDR may expose banks to greater liquidity and credit risks. These contrasting findings indicate that the role of LDR and CAR in determining firm value remains open to further empirical examination. Based on this research gap, the present study investigates the effect of *Loan to Deposit Ratio* (LDR) and *Capital Adequacy Ratio* (CAR) on the firm value of conventional commercial banks listed on the Indonesia Stock Exchange during the 2020–2025 period. By focusing on these two financial indicators, this

research seeks to provide empirical evidence concerning the extent to which liquidity management and capital adequacy are associated with the market valuation of banking companies. The findings are also expected to enrich the accounting and financial literature by providing additional evidence on the factors that influence firm value within the banking industry..

THEORETICAL FRAMEWORK AND HYPOTHESIS FORMULATION

1. Signaling Theory

Signaling theory suggests that corporate directors systematically transmit private operational details to external market participants, primarily to inform potential investors about future organizational prospects. Within banking operations, core financial indicators such as liquidity metrics and capital reserves convey crucial insights regarding systemic stability, credit distribution efficiency, and risk containment practices. When these underlying indicators signal financial strength, market participants tend to respond favorably, driving up equity valuations and overall firm worth.

2. Agency Theory

Agency theory analyzes potential conflicts within contractual arrangements binding principal owners to appointed managers. Corporate decision-makers in financial institutions retain wide discretion over liquid funds and regulatory capital structures. Consequently, the optimal management of credit exposure and equity buffers hinges on leadership's ability to maximize financial returns while preventing exposure to hazardous risks that could diminish shareholder equity.

3. Firm Value

Firm valuation represents the collective market assessment regarding a bank's long-term sustainability and future earning power. Evaluating this dimension typically involves market-based parameters like Price-to-Book Value or Tobin's Q. Higher valuation levels signal

elevated investor trust in management's ability to efficiently deployment available capital and total assets.

4. Loan to Deposit Ratio (LDR)

The Loan to Deposit Ratio serves as a key liquidity metric indicating the proportion of deposited customer funds converted into active credit extended to borrowers. Maintaining a balanced LDR demonstrates that financial intermediation is functioning smoothly to generate steady interest returns. However, an exceptionally elevated ratio exposes the institution to heightened liquidity defaults, whereas a depressed ratio suggests underutilized financial capacity.

H1: The Loan to Deposit Ratio significantly impacts Firm Value

5. Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio reflects a bank's capital reserves available to absorb unexpected operational losses and credit impairments. Strong capitalization safeguards corporate solvency, reassuring external investors and strengthening market confidence.

H2 : The Capital Adequacy Ratio significantly impacts Firm Value

B. RESEARCH METHODOLOGY

Employing a quantitative research design, this inquiry evaluates the relationship connecting liquidity metrics and capital solvency to banking enterprise valuation on the Indonesia Stock Exchange (IDX) over the 2020–2025 timeframe. The analytical framework utilizes secondary financial data extracted from verified annual disclosures published on the IDX database. Through non-probability purposive sampling, 43 qualified commercial banks were retained, producing a panel dataset of 258 observation units across six consecutive fiscal years. Statistical hypothesis testing was performed using multiple linear regression via IBM SPSS Statistics 26.

Tabel 1. Populasi Sampung

Populasi	43
1 Seluruh perusahaan bank umum konvensional yang terdaftar di BEI secara berturut - turut periode 2020-2025	43
2 Perusahaan bank umum konvensional yang tidak menerbitkan laporan keuangan tahunan periode 2020-2025	(0)
3 Perusahaan bank umum konvensional yang mempunyai laporan keuangan selama periode 2020-2025	43
Total	258

C. RESULTS AND DISCUSSIONS

Descriptive Statistical Test

Tabel 2. Uji Descriptive Statistic
Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
LDR	78	0,70	0,98	0,8450	0,07028
CAR	78	0,14	0,30	0,2200	0,03749
NP	78	0,85	1,04	0,9495	0,04413
Valid N (listwise)	78				

Descriptive testing across the 78 analyzed quarterly/annual units reveals the following statistical distributions:

1. LDR: Ranged from a minimum of 0.70 to a maximum of 0.98, with an average score of 0.8450 (SD = 0.07028).
2. CAR: Ranged from a minimum of 0.14 to a maximum of 0.30, with a mean score of 0.2200 (SD = 0.03749).
3. Firm Value (NP): Spanned between 0.85 and 1.04, recording a mean of 0.9495 (SD = 0.04413).

Normality Test

Tabel 3 Uji Normalitas

One-Sample Kolmogorov-Smirnov Test		
Unstandardized Residual		
N		78
Normal Parameters ^{a,b}	Mean	0.0000000
	Std. Deviation	0.04175417
Most Extreme Differences	Absolute	0.087
	Positive	0.087
	Negative	-0.078
Test Statistic		0.087
Asymp. Sig. (2-tailed)		0.200 ^{c,d}

The One-Sample Kolmogorov-Smirnov test yielded an Asymptotic Significance (2-tailed) value of 0,200 ($0,200 > 0.05$), confirming normal residual distribution.

Multicollinearity Test

Coefficients ^a				
Model	Collinearity Statistic			
1	(Constant)	Tolerance	VIF	Keterangan
	LDR	0,980	1,021	Tidak terjadi multikolineritas
	CAR	0,980	1,021	Tidak terjadi multikolineritas
a. Dependent Variable: Nilai Perusahaan				

Both independent parameters recorded tolerance scores of 0.980 (> 0.10) alongside VIF values of 1.021 (< 10), demonstrating the absence of multicollinearity.

Heteroscedasticity Test

Coefficients ^a				
	Model	T	Sig.	Keterangan
1	(Constant)	0,557	0,579	
	LDR	1,009	0,316	Tidak terjadi heterokedastisitas
	CAR	-0,118	0,310	Tidak terjadi heterokedastisitas
a. Dependent Variable: ABS RES				

Significance values for LDR (sig= 0.316) and CAR (sig = 0.310) exceeded 0.05, confirming homoscedasticity across model residuals.

Autocorrelation Test

Table 6. Uji Autokorelasi

Model Summary ^a					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,536 ^a	0,287	0,278	0,03570	2,082
a. Predictors: (Constant), CAR, LDR					
b. Dependent Variable: NP					

The Durbin-Watson statistic measured 2.082. Given $dU = 1.6851$ and $4 - dU = 2.3149$, the result satisfies $1.6851 < 2.082 < 2.3149$, establishing the absence of autocorrelation.

Multiple Linier Berganda Analysis Test

Table 7. Uji Regresi Berganda

Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	1,090	0,062	
	LDR	-0,080	0,069	-0,128
	CAR	-0,330	0,130	-0,280
a. Dependent Variable : Nilai Perusahaan				

The statistical relationship is summarized by the following empirical equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

$$\text{Firm Value} = 1.090 - 0.080 \text{ LDR} - 0.330 \text{ CAR} + \varepsilon$$

1. The constant value of 1.002 indicates that when the *Loan to Deposit Ratio* and *Capital Adequacy Ratio* are assumed to be zero, the predicted firm value is 1.090.
2. The regression coefficient for the *Loan to Deposit Ratio* is -0.080 . Demonstrates that each single-unit increase in credit allocation relative to deposits corresponds to a 0.080 reduction in firm valuation, holding capitalization constant.

3. The regression coefficient for the *Capital Adequacy Ratio* is 0.330. Indicates that each unit increase in capital adequacy corresponds to a 0.330 decrease in firm valuation, holding liquidity constant.

Partial Test (T)

Tabel 8. Uji T

Coefficients ^a			
Model		t	Sig.
1	(Constant)	17,694	0,000
	LDR	-1,156	0,251
	CAR	-2,538	0,013
Dependent Variable : Nilai Perusahaan			

Based on Table 8. the results of the partial test (t-test) are as follows:

1. The t-test yielded $t = -1.156$ with $P = 0.251$ ($P > 0.05$). Because the p-value exceeds the 0.05 threshold, credit distribution does not exert a statistically significant influence on firm value (H_1 : rejected).
2. The t-test yielded $t = -2.538$ with $p = 0.013$ ($p < 0.05$). Because the p-value falls below 0.05, capital adequacy significantly influences corporate market valuation (H_2 : accepted).

R² Determination Coefficient Test

TABLE 9. Uji Determinasi

Model Summary ^a				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,324	0,105	0,081	0,05093
a. Predictors: (Constant), CAR, LDR				
b. Dependent Variable: NP				

The Adjusted R² value of 0.081 indicates that LDR and CAR jointly account for 8.1% of the variance in firm valuation, while external factors explain the remaining 91.9%.

D. CONCLUSIONS

Statistical estimations confirm that the Loan to Deposit Ratio fails to show a significantly association with the firm value of IDX-listed conventional banks during 2020–2025, indicating that credit allocation scale is not the primary determinant guiding investor pricing decisions. On the other hand, the Capital Adequacy Ratio exerts a statistically significant influence on firm valuation, proving that market participants place strong emphasis on institutional loss-absorption capability and capital resilience when evaluating banking risks.

E. SUGGESTIONS

Based on the conclusions, several suggestions can be provided. For banking companies, management is expected to maintain LDR at an appropriate level while continuing to improve the effectiveness of credit distribution and liquidity management. Although LDR was not found to affect firm value, maintaining a balanced level of liquidity remains important for supporting banking operations and managing financial risks. Banks should also maintain adequate capital and utilize their capital efficiently to strengthen financial performance and investor confidence.

For investors, LDR should not be used as the sole basis for assessing the value of banking companies because the research results show that LDR does not significantly affect firm value. Investors are advised to consider other financial indicators, particularly capital adequacy, as well as profitability, risk, and the overall financial performance of banks before making investment decisions. For future researchers, it is recommended that further studies examine other factors that may influence firm value in the banking sector, such as profitability, bank size, asset quality, liquidity, corporate governance, or macroeconomic conditions. Future research may also use a different observation period or extend the research object to other banking sectors to obtain broader empirical evidence regarding the determinants of firm value.

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