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THE EFFECT OF LIQUIDITY, ACTIVITY, AND PROFITABILITY RATIOS ON THE FIRM VALUE OF SHARIA COMMERCIAL BANKS LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

This study aims to investigate the effect of liquidity (Financing to Deposit Ratio/FDR), activity (Total Asset Turnover/TATO), and profitability (Return on Assets/ROA) on firm value, proxied by Price to Book Value (PBV), in Sharia Commercial Banks listed on the Indonesia Stock Exchange (IDX) for the 2021–2025 period. Employing a quantitative approach, this research utilizes secondary data extracted from the annual financial reports of four Sharia Commercial Banks selected through purposive sampling. The data was analyzed using panel data regression with the Fixed Effect Model (FEM) via EViews 13. The empirical results reveal that, partially, FDR has a negative and insignificant effect on PBV, TATO has a positive and insignificant effect on PBV, and ROA has a negative and insignificant effect on PBV. However, simultaneously, FDR, TATO, and ROA exert a significant impact on firm value. These findings suggest that the valuation of Sharia Commercial Banks is driven more by the combined interaction of liquidity, activity, and profitability rather than by these financial elements independently.

INTRODUCTION

In the face of intensifying rivalry within the banking sector, financial institutions must demonstrate robust operational efficiency while simultaneously generating significant firm value. Firm value serves as a crucial indicator that reflects investor perceptions regarding a banks prospects for future growth, stability, and financial health.

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A frequently employed metric for assessing firm value is the Price to Book Value (PBV) ratio, which indicates the markets appraisal of a banks capacity to generate returns. A higher PBV signifies greater investor confidence in the banks ability to sustain profit growth (Antikasari & Pramesti, 2023). For Sharia Commercial Banks listed on the Indonesia Stock Exchange (IDX), the Price to Book Value (PBV) ratio serves as a crucial metric that profoundly influences investor attractiveness, equity valuation, and the institutions long-term sustainability. Consequently, analyzing the financial factors that affect PBV specifically liquidity, activity, and profitability ratios is essential for understanding how a banks internal performance can enhance its firm value from a capital market perspective.

The following data presents the Price-to-Book Value for Sharia Commercial Banks during the 2021–2025 period:



Figure 1.1 PBV Trends of Sharia Commercial Banks in Indonesia (Years, 2021–2025)

According to the aforementioned figure, the Price to Book Value (PBV) of Sharia Commercial Banks in Indonesia from 2021 to 2025 exhibits a fluctuating pattern, although the general trend remains within a positive valuation range. In 2021, the PBV was recorded at 2.78, reflecting increased investor confidence driven by economic recovery and the consolidation of Sharia banking principles following the Bank Syariah Indonesia (BSI) merger. The PBV rose further in 2022, reaching a peak of 2.96, indicating strong market perception regarding the performance and prospects of Sharia banks during that period. However, a decline to 2.56 occurred in 2023, suggesting market pressure or waning investor trust in the banking sector. The PBV subsequently fell to 2.03 in 2024, reflecting ongoing market constraints on the valuation potential of Sharia Commercial Banks, before experiencing a slight recovery to 2.12 in 2025. These fluctuations in PBV demonstrate the dynamics of market valuation and investor responses to shifts in financial performance, industry conditions, and the broader macroeconomic environment affecting the Sharia banking sector (Ramadhani & Aliefah, 2024).

The inherent value of Sharia banks is driven by various internal and external factors that reflect the institutions fundamental strengths and prospective capabilities. A critical internal component is the banks ability to manage capital and financing, as evidenced by the Financing to Deposit Ratio (FDR). The FDR evaluates how efficiently

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third-party funds are allocated to productive financing. An optimal FDR signals to investors that the bank is effectively enhancing its intermediation function and generating stable income, thereby increasing the perceived firm value (Wahyu & Esy, 2024). Nonetheless, an excessively high FDR, in the absence of adequate risk management strategies, can amplify liquidity risk and heighten investor concerns, ultimately leading to a decline in firm value as reflected by the PBV. Consequently, the FDR serves as an essential indicator for assessing the influence of financing efficiency on the valuation of Sharia banks (Rahayu et al., 2024)

In addition to liquidity metrics like the FDR, profitability indicators such as Return on Assets (ROA) are crucial measures for assessing a banks capacity to leverage its total assets for profit generation. A substantial ROA reflects adept asset management and communicates a positive signal to investors, as it denotes operational efficiency and implies promising future profitability. This generally bolsters market confidence and increases the firms valuation, as reflected by the PBV ratio.

Conversely, a lower ROA indicates insufficient efficiency in generating profit from available assets, which hinders productivity and future earnings prospects, potentially exerting a negative impact on the firms market value. Thus, the capacity to yield returns from assets is an essential factor for Sharia Commercial Banks in maintaining the stability and integrity of their financial performance. As a metric that assesses the ability to generate net income from total managed assets, ROA serves as a pivotal indicator for evaluating a banks profitability and its subsequent impact on firm value (Heirunissa, 2025).

Furthermore, the Total Asset Turnover (TATO) ratio serves as a vital indicator for assessing a banks effectiveness in utilizing its total assets to generate revenue. TATO signifies the extent to which a banks assets are efficiently employed to support operational activities. A high TATO ratio indicates that the bank can effectively utilize its assets to generate income, reflecting the adept management of productive resources. Conversely, a lower TATO value signifies that assets are underutilized, resulting in income generation that falls short of the current assets potential.

The effectiveness of asset management is crucial for Sharia Commercial Banks to maintain competitiveness and financial stability, particularly amid an increasingly competitive banking landscape. Consequently, TATO is frequently utilized by investors, analysts, and regulators to assess asset efficiency and a banks capacity to enhance operational performance, making it an essential indicator for evaluating the robustness of a banks operational activities and its potential for long-term revenue growth (Lubis et al., 2024).

An analysis of the current literature reveals a lack of comprehensive investigation into the factors influencing firm value specifically within Sharia-compliant institutions. Most prior studies have predominantly focused on evaluating financial success via Return on Assets (ROA), thereby failing to provide a holistic perspective on operational effectiveness. Furthermore, frequently analyzed variables such as the Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), and leverage tend to emphasize risk and capitalization aspects rather than the efficiency of asset utilization or the institutions capacity to generate firm value. Research regarding activity ratios, particularly Total Asset Turnover (TATO), and their impact on firm value, as measured by PBV, remains

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limited. Therefore, an in-depth analysis is required to clarify how the operational activities of Sharia banks contribute to their firm value in the capital market.

This study aims to address this empirical gap by utilizing the Price to Book Value (PBV) ratio as a proxy for firm value, reflecting the markets assessment of the growth prospects and sustained performance of Sharia Commercial Banks. Furthermore, this study simultaneously integrates liquidity, activity, and profitability ratios represented by the Financing to Deposit Ratio (FDR), Total Asset Turnover (TATO), and Return on Assets (ROA) for the 2021–2025 observation period.

The distinctiveness of this study lies in its emphasis on the 2021–2025 period, which captures the economic recovery post-pandemic and the rapid digital transformation within the Sharia banking industry. These macroeconomic and technological shifts are believed to provoke new dynamics regarding operational efficiency, resource allocation, and the banks capacity to enhance shareholder wealth. Furthermore, this study shifts the focus from conventional financial performance indicators used in previous research by comprehensively incorporating FDR, TATO, and ROA to analyze the combined influence of liquidity, activity, and profitability on firm value. Employing this amalgamation of variables provides a more holistic viewpoint, since it evaluates not just the banks capacity to control liquidity and yield profits but also their proficiency in utilizing assets to augment business value. Based on these considerations, this study is titled “The Influence of Liquidity, Activity, and Profitability Ratios on the Firm Value of Sharia Commercial Banks Listed on the Indonesia Stock Exchange (IDX) for the 2021–2025 Period.”

LITERATURE REVIEW

Agency Theory

Agency theory explains the relationship between a principal and an agent. The principal grants the agent the authority to make decisions and manage company assets (Widnyana, I. Wayan; Purbawangsa, 2024). The concept describes a contractual relationship in which the agent is obligated to perform tasks in the principals interest. Jensen and Meckling (1976) defined agency theory as a contract under which one or more principals engage another party (the agent) to perform specific work on their behalf, involving the delegation of authority and decision-making power to the agent. The theory posits that when both parties seek to maximize their own benefits, the agent may not always act in accordance with the principals wishes (Read, 2014).

Signaling Theory

Signaling theory explains how companies convey information to external parties to reduce information asymmetry between management and investors. Under this theory, the company acts as a signaler by disclosing information primarily financial statements that reflects its condition and prospects. Such information serves as an indicator that the company possesses superior performance or prospects compared to others. Brigham and Houston state that signals in the form of financial information assist investors in assessing a companys ability to generate sustainable profits (Brigham & Houston, 2011).

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Financing to Deposit Ratio (FDR)

The Financing to Deposit Ratio (FDR) is a liquidity indicator used to measure the extent of a Sharia banks ability to channel funds collected from the public (third-party funds) into productive financing. This ratio reflects the banks efficiency in distributing funds in accordance with Sharia principles, while also demonstrating the balance between its intermediation function and its ability to maintain liquidity.(Kusumaningrum & Maika, 2024) A high FDR indicates that the bank is capable of optimally channeling funds through financing; however, an excessively high ratio can increase liquidity risk if the funds available to meet short-term obligations are depleted. The formula for the Financing to Deposit Ratio is as follows:

$$FDR = \frac{\text{Total Financing}}{\text{Total Third Party Funds}} x100\%$$

Total Asset Turn Over (TATO)

Total Asset Turnover (TATO) is an activity ratio used to assess a companys ability to utilize its total assets to generate revenue. This ratio is calculated by comparing total operating revenue to total assets, thereby indicating the companys effectiveness in managing assets to ensure they contribute optimally to operational activities. A higher TATO value signifies greater efficiency in using assets to generate revenue, whereas a low TATO value may indicate underproductive assets or suboptimal asset management. The formula for the Financing to Deposit Ratio is as follows:

$$TATO = \frac{\text{Sales}}{\text{Total Assets}} x\ 100\%$$

Return On Asset

Return on Assets (ROA) is a profitability ratio used to assess a companys ability to generate net profit through the utilization of its total assets. This ratio is calculated by comparing net profit to total assets, thereby indicating how effectively the company manages its assets to create profit. A higher ROA value signifies better company performance, as the assets are contributing optimally to profitability. Conversely, a low ROA indicates that assets are underproductive or that the companys operational efficiency is not yet maximized. The formula for the Financing to Deposit Ratio is as follows:

$$ROA = \frac{Net\ Profit}{\text{Total Assets}} x100\%$$

Price to Book Value

The PBV ratio reflects the market valuation of a bank relative to its equity book value. Derived by comparing the market share price to the book value per share, this ratio indicates whether the banks stock is valued higher or lower than its net asset value. A higher PBV signifies a positive investor perception regarding the banks growth prospects, asset quality, and future performance. Consequently, the PBV serves as a crucial indicator

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for assessing market valuation, investor confidence, and the investment appeal of Sharia commercial banks listed on the Indonesia Stock Exchange (IDX) during the study period. The formula for the Financing to Deposit Ratio is as follows:

$$PBV = \frac{Share\ Price}{Book\ Value\ Per\ Share} x100\%$$

Hypothesis

An optimal FDR demonstrates managements ability to effectively perform the intermediation function, thereby boosting investor confidence in the company. Research conducted by Iman, Ishak, and Prasetya indicates that sound liquidity can enhance firm value by instilling investor confidence in the companys financial condition. Consequently, improved FDR management tends to lead to an increase in firm value, as measured by the PBV ratio.Based on the foregoing, the proposed hypothesis is:

H1: The Financing to Deposit Ratio (FDR) has a positive effect on the Price to Book Value (PBV) of Sharia Commercial Banks in Indonesia

A high Total Asset Turnover (TATO) ratio signals to investors that management is capable of managing assets efficiently and productively. This can boost investor confidence in the companys prospects. Research by Wijaya, Hulasoh, and Andriansyah also indicates that TATO has a positive effect on firm value.Based on the foregoing, the proposed hypothesis is:

H2: Total Asset Turnover (TATO) has a positive effect on Price to Book Value (PBV) for Sharia Commercial Banks in Indonesia.

A high ROA signals to investors that the bank is in sound financial health and that management is capable of managing assets optimally. High profitability boosts investor confidence in future performance prospects and has the potential to increase firm value. Research by Ramati, Rahmadania, and Roy indicates that ROA has a positive effect on firm value because high profitability strengthens investor expectations regarding future performance. Based on this explanation, the proposed hypothesis is:

H3: Return on Assets (ROA) has a positive effect on Price to Book Value (PBV) for Sharia Commercial Banks in Indonesia.

The Financing to Deposit Ratio (FDR) indicates a banks ability to maintain liquidity, Total Asset Turnover (TATO) measures the effectiveness of asset utilization, and Return on Assets (ROA) reflects a banks profitability. Based on signaling theory, these three ratios convey positive signals regarding a companys performance and prospects, thereby boosting investor confidence. Previous studies have also demonstrated that liquidity, activity, and profitability positively influence firm value. Therefore, it is hypothesized that FDR, TATO, and ROA can increase the Price to Book Value (PBV) of Sharia commercial banks in Indonesia.

H4: Financing to Deposit Ratio (FDR), Total Asset Turnover (TATO), and Return on Assets (ROA) simultaneously have a significant effect on Price to Book Value (PBV) in Sharia Commercial Banks in Indonesia.

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Theoretical Framework

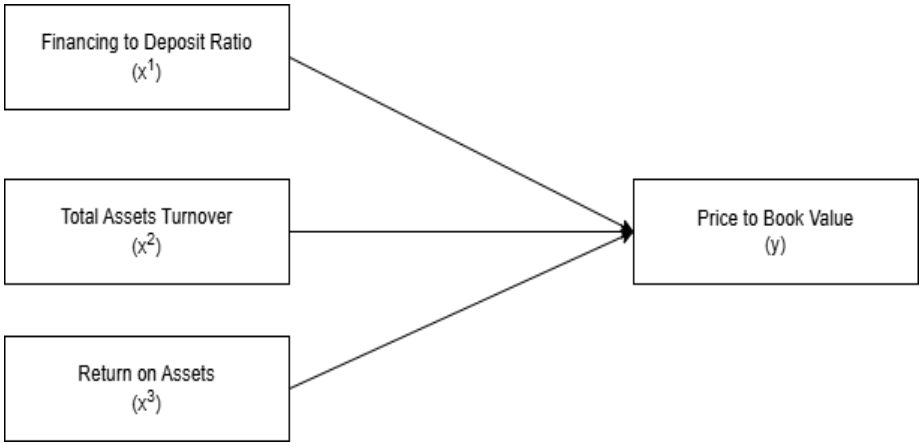


Figure 2.1 Theoretical Framework

RESEARCH METHOD

This research utilizes a quantitative methodology. Rooted in positivist philosophy, this methodology seeks to evaluate existing assumptions, therefore producing reliable and impartial data to facilitate decision-making (Sugiyono, 2020). The population in this study comprises Sharia Commercial Banks (BUS) listed on the Indonesia Stock Exchange (IDX). The research utilizes secondary data derived exclusively from the official annual reports and financial statements published by the respective banks, the Financial Services Authority (OJK), and Bank Indonesia (BI) for the 2021–2025 observation period.

The sample was selected using a purposive sampling technique, wherein the observation units were chosen based on specific, predetermined criteria relevant to the research objectives. Based on these criteria, four Sharia Commercial Banks were included in the sample: PT Bank Syariah Indonesia Tbk, PT Bank BTPN Syariah Tbk, PT Bank Panin Dubai Syariah Tbk, and PT Bank Aladin Syariah, covering the five-year period from 2021 to 2025.

The analytical method employed in this research is panel data regression analysis. Panel data combines time-series and cross-sectional data, enabling researchers to observe variations in the variables across multiple entities over a specific timeframe. EViews 13 software was utilized as the statistical tool to examine the relationships between the variables.

RESULTS AND DISCUSSION

Descriptive Statistical Test

Statistical analysis yields a description of the data used, thereby providing further insight and making the information easier to understand. Descriptive statistics can be observed through the minimum and maximum values, the mean, the standard deviation, and the number of observations.

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Table 1. Descriptive Statistical Analysis

	PBV	FDR	TATO	ROA
Mean	0.695891	-1.512543	-2.571417	3.82545
Median	0.705323	-1.435993	-2.749646	4.072129
Maximum	1.877937	0.00104	-1.316507	6.861835
Minimum	-0.385662	-2.809237	-4.097341	2.475829
Std. Dev.	0.690016	0.719783	0.807017	1.059388
Observation	20	20	20	20

Source: Eviews 13 (data processed, 2025)

Based on the descriptive statistics, PBV has a mean value of 0.695891, a maximum of 1.877937, a minimum of -0.385662, and a standard deviation of 0.690016. FDR has a mean value of -1.512543, a maximum of 0.001040, a minimum of -2.809237, and a standard deviation of 0.719783. TATO has a mean value of -2.571417, a maximum of -1.316507, a minimum of -4.097341, and a standard deviation of 0.807017. Meanwhile, ROA has a mean value of 3.825450, a maximum of 6.861835, a minimum of 2.475829, and a standard deviation of 1.059388. The observation count is 20 for each variable. The descriptive statistics therefore indicate variation among the observations during the 2021–2025 study period.

Panel Data Estimation

Chow Test

The Chow test is used to determine the most appropriate panel data regression model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). This test is conducted by examining the significance of the Cross-section F-test or Cross-section Chi-square.

Table 2. Chow Test Resul

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.415080	(3,13)	0.0067
Cross-section Chi-square	18.168421	3	0.0004

Based on the Chow test results in Table 4.2, the probability values for the Cross-section F-test and Cross-section Chi-square test are 0.0067 and 0.0004, respectively. These probability values are lower than the significance level of 0.05. Consequently, based on the Chow test criteria, since the Cross-section F probability value (0.0067) is less than 0.05, H_0 is rejected and H_1 is accepted. Thus, it can be concluded that the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM); subsequently, the Hausman test is conducted to determine the best model between the Fixed Effect Model and the Random Effect Model.

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Hausman Test

After the Chow test indicates that the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM), the Hausman test is conducted to choose between the Fixed Effect Model (FEM) and the Random Effect Model (REM). The Hausman test evaluates whether the individual effects are correlated with the explanatory variables.

Tabel 3. Hausman test results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	19.245239	3	0.0002

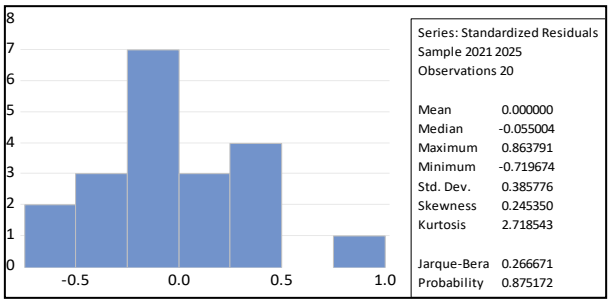
Source: Eviews 13 (data processed, 2025)

Based on Table 4.3, the probability value for the Cross-section random test is 0.0002. This probability value is lower than the significance level of 0.05 (0.0002 < 0.05). According to the criteria for the Hausman test, if the probability value is less than 0.05, H_0 is rejected and H_1 is accepted. Thus, it can be concluded that the Fixed Effect Model (FEM) is more appropriate to use than the Random Effect Model (REM).

Classical Assumption Test

Normality Test

A normality test is a type of classical assumption test aimed at determining whether the residuals in a regression model are normally distributed.



Source: Eviews 13 (data processed, 2025)

Based on the normality test results obtained using EViews 13, the Jarque-Bera statistic is 0.266671 with a probability of 0.875172. Because the Jarque-Bera probability value of 0.875172 is greater than 0.05, H0 is not rejected. Therefore, the residuals are considered normally distributed.

Multicollinearity Test

The multicollinearity test aims to determine whether there is a high correlation between independent variables in the regression model. Based on the data processing results using EViews, the covariance matrix among the independent variables is as

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follows:

Table 4 Multicollinearity test results

	FDR	TATO	ROA
FDR	1.000000	0.010254	-0.254714
TATO	0.010254	1.000000	-0.260481
ROA	-0.254714	-0.260481	1.000000

Source: Eviews 13 (data processed, 2025)

It can be concluded that the regression model in this study does not suffer from multicollinearity issues; therefore, the model is suitable for the subsequent stage of regression analysis.

Autocorrelation Test

The autocorrelation test aims to determine whether there is a relationship between residuals from different periods within a regression model.

Table 5 Autocorrelation Test Result

Model Estimasi	Metode Uji	Nilai Durbin Watson	Kriteria	Kesimpulan
Fixed Effect Model	Durbin-Watson	1.281814	DL<DW<DU (1.00<1.28<1.68)	Inconclusive

Source: Eviews 13 (data processed, 2025)

Based on the Durbin-Watson test, the regression model yields a DW statistic of 1.281814. Referring to the standard Durbin-Watson table with a 5% significance level, 20 observations (n=20), and 3 independent variables (k=3), the lower bound (d_L) is approximately 1.00 and the upper bound (d_U) is 1.68. Because the calculated DW value falls between the lower and upper bounds (1.00 \le 1.281814 \le 1.68), the test result lies in the inconclusive region. Although it cannot definitively confirm the complete absence of autocorrelation, the value does not indicate severe positive or negative autocorrelation, making the model acceptable for the subsequent stage of analysis.

Heteroskedasticity Test

The heteroskedasticity test aims to determine whether the residual variance in a regression model is unequal across observations.

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Table 6. Heteroskedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.556977	0.791291	3.231401	0.0052
FDR	-0.544878	2.067895	-0.263494	0.7955
TATO	-1. 993932	3.445976	-0.578626	0.5709
ROA	-0.001186	0.001482	-0.800305	0.4353

Source: Eviews 13 (data processed, 2025)

It can be concluded that the regression model in this study does not exhibit heteroscedasticity. Thus, the regression model satisfies the classical assumption regarding heteroscedasticity and is suitable for further analysis.

Hypothesis Testing

Hypothesis testing is conducted to determine the effect of the independent variable on the dependent variable, both partially and simult
aneously.

Parsial Significance Test (t test)

A partial test was conducted to determine the individual effect of each independent variable on the dependent variable. In this study, the test examined the impact of Liquidity Ratios, Activity Ratios, and Profitability Ratios on Firm Value. Based on the degrees of freedom (df) calculated using the formula df(n-k) = (20-4) = 16 and a significance level of 0.05, the t-table value obtained was 1.74588.

Table 7. Partial test (t test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.344728	1.492305	0.901108	0.3839
FDR	-0.016108	0.160754	-0.1002	0.9217
TATO	0.116944	0.412054	0.283809	0.7810
ROA	-0.097371	0.164046	-0.59356	0.5630

Source: Eviews 13 (data processed, 2025)

Based on the t-test results, the Financing to Deposit Ratio (FDR) variable has a t-statistic of -0.100200 and a probability of 0.9217. Since the calculated t-value is less than the t-table value and the probability exceeds 0.05, the FDR does not have a significant effect on the Price to Book Value (PBV); consequently, the hypothesis is rejected. The regression coefficient of -0.016108 indicates a negative but insignificant relationship. Furthermore, the t-test results for the Total Asset Turnover (TATO) variable show a t-statistic of 0.283809 and a probability of 0.7810. Since the calculated t-value is less than the t-table value and the probability exceeds 0.05, TATO does not have a significant effect

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on Price to Book Value (PBV); consequently, the hypothesis is rejected. The regression coefficient of 0.116944 indicates a positive but insignificant relationship.

Furthermore, the t-test results show that the Return on Assets (ROA) variable has a t-statistic of -0.593560 with a probability of 0.5630. Since the calculated t-value is less than the t-table value and the probability exceeds 0.05, ROA does not have a significant effect on Price to Book Value (PBV); consequently, the hypothesis is rejected. The regression coefficient of -0.097371 indicates a negative, albeit insignificant, relationship.

F Test (Simultaneous)

The F-test is conducted to determine whether the Liquidity Ratio, Activity Ratio, and Profitability Ratio variables, collectively.

Table 8. F Test Result

R-squared	0.687427
Adjusted R-squared	0.543162
F-statistic	4.765043
Prob(F-statistic)	0.008857
Durbin-Watson	1.281814
observasi	20

Source: Eviews 13 (data processed, 2025)

Based on the F-test results for the panel-data regression model, the F-statistic is 4.765043 with a Prob(F-statistic) of 0.008857. Because the probability value is lower than 0.05, H0 is rejected. Thus, FDR, TATO, and ROA jointly have a statistically significant effect on PBV. This result does not mean that each variable is individually significant. The t-tests show that the individual effects of FDR, TATO, and ROA are not statistically significant. The difference occurs because the F-test evaluates the variables jointly, whereas each t-test evaluates one coefficient while the other explanatory variables are included in the model. The relatively small sample of 20 observations should also be considered when interpreting the individual results.

Coeficient Of Determination (R^2)

The coefficient of determination is used to determine the extent to which the independent variable can explain the variation in the dependent variable within the research model.

Table 9. Coeficient Of Determination (R^2) Test

R-squared	0.687427
Adjusted R-squared	0.543162
F-statistic	4.765043
Prob(F-statistic)	0.008857
Durbin-Watson	1.281814
observasi	20

Source: Eviews 13 (data processed, 2025)

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Based on the regression results, the Adjusted R-squared value of 0.543162 indicates that the independent variables FDR, TATO, and ROA jointly explain 54.32% of the variation in LN_PBV, while the remaining 45.68% is explained by factors outside the research model. The R-squared value of 0.687427 indicates that 68.74% of the variation in LN_PBV is explained by the model before adjustment.

DISCUSSION

The Effect of Liquidity (FDR) on Firm Value (PBV)

The results of this study indicate that liquidity, as proxied by the Financing to Deposit Ratio (FDR), has a negative and insignificant effect on firm value. These findings suggest that while an increase in the FDR is generally correlated with a decrease in firm value, this relationship is not statistically significant. From a theoretical perspective, these findings can be explained through the lens of Signaling Theory, as proposed by Michael Spence. This theory posits that companies convey critical signals to investors through their financial information. In the context of this study, a high FDR is not consistently perceived as a positive signal by the market. An excessively high FDR implies aggressive financing expansion, which heightens the institutions exposure to credit risk and increases the likelihood of non-performing financing (NPF) in Sharia banks. Consequently, investors may view this increased risk profile unfavorably, mitigating any potential positive valuation impacts (Spence, 1973).

The results of this study are consistent with previous research conducted by Winda Nur Satiti et al.(Satiti & Bawono, 2025), which states that liquidity does not significantly affect firm value because investors prioritize the companys long-term prospects over mere liquidity levels.

The Effect of the Activity Ratio (TATO) on Firm Value (PBV)

The results of this study indicate that the activity ratio, proxied by Total Asset Turnover (TATO), has a positive but insignificant effect on firm value. These findings suggest that the efficiency of Sharia Commercial Banks in deploying their assets to generate revenue had a negligible impact on firm value during the observation period. The positive regression coefficient of 0.116944 indicates that an increase in TATO is associated with an increase in firm value (PBV); however, this relationship is not statistically significant. From the perspective of Signaling Theory, the activity ratio can serve as a gauge of a companys effectiveness in asset management. Nevertheless, the statistical insignificance implies that investors in the capital market may not consider TATO as a primary or dominant signal for evaluating the firm value of Sharia banks, potentially prioritizing other financial indicators or macroeconomic factors during this specific timeframe.

The results of this study are supported by prior research conducted by Firnandes et al.,(Firnandes et al., 2025)which states that Total Asset Turnover does not significantly affect firm value because investors prioritize company stability over mere asset effectiveness.

The Effect of Profitability (ROA) on Firm Value (PBV)

The results of this study suggest that profitability must be evaluated in conjunction with

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the quality of financing, underlying risk factors, macroeconomic conditions, and the overall stability of banking operations. These external and internal factors provide a conceptual framework for understanding the statistically insignificant Return on Assets (ROA) outcome, although they ought not to be regarded as direct empirical proof for the ROA coefficient itself.

The empirical findings of this research indicate that profitability, as proxied by Return on Assets (ROA), exerts a negative albeit statistically insignificant effect on firm value (PBV). The regression coefficient of -0.097371 signifies the negative direction of this relationship; however, the probability value of 0.5630 demonstrates that the effect lacks statistical significance at the conventional 5% threshold. From the perspective of Signaling Theory, profitability is traditionally expected to convey valuable insights to investors regarding the banks capacity to generate returns. Nevertheless, in the context of this study, the ROA signal lacked sufficient strength to produce a statistically significant alteration in the firms Price to Book Value. This suggests that investors might also be taking into account a multitude of additional factors, such as the quality of funding, associated credit risks, broader macroeconomic circumstances, evolving regulatory frameworks, and the overall robustness of the banking industry. This discovery aligns with the research conducted by Diantoro (2024), which similarly concluded that profitability does not significantly influence firm value.

Viewed further through the lens of Signaling Theory, an increase in profitability should theoretically serve as a positive signal to the capital market, demonstrating the institutions fundamental ability to generate profit. However, the results of this study indicate that investors in Sharia Commercial Banks evaluate firm value by considering not only the companys direct profit margins but also the broader stability of the industry, macroeconomic conditions, stringent banking regulations, and the specific risk profile of the institution. Ultimately, the findings of this investigation are consistent with earlier studies performed by Femba Akris Diantoro, reinforcing the premise that profitability alone is not the sole determinant of market valuation. (Diantoro, 2024) which stated that profitability does not significantly affect firm value because investors also consider external factors and capital market conditions.

The simultaneous effect of liquidity ratios, activity ratios, and profitability ratios on firm value in Sharia commercial banks listed on the Indonesia Stock Exchange for the 2021–2025 period.

The concurrent influence of liquidity ratios, activity ratios, and profitability ratios on the value of firms in Sharia commercial banks listed on the Indonesia Stock Exchange throughout the 2021–2025 timeframe.The findings of this research demonstrate that the Financing to Deposit Ratio (FDR), Total Asset Turnover (TATO), and Return on Assets (ROA) all have a substantial impact on business value (PBV). These results indicate that corporate value is a multifaceted concept shaped by a blend of liquidity conditions, asset efficiency, and profitability. In the context of Signaling Theory, the amalgamation of data pertaining to liquidity, asset efficiency, and profitability acts as a vital indicator for investors evaluating a companys future potential. The worth of a firm is affected by its capacity to efficiently manage resources to yield profit and sustain operational stability. Consequently, while none of the variables demonstrated a significant impact on their own, together they possess the ability to affect the value of Sharia Commercial Banks.

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CONCLUSION

Based on the research conducted regarding the influence of the Financing to Deposit Ratio (FDR), Total Asset Turnover (TATO), and Return on Assets (ROA) on firm value measured by Price to Book Value (PBV) in Indonesian Sharia Commercial Banks during the 2021–2025 period, the following conclusions can be drawn:

- The Financing to Deposit Ratio (FDR) has a negative and insignificant effect on the Price to Book Value (PBV) of Sharia Commercial Banks. This indicates that the liquidity level, as proxied by the FDR, has not been sufficient to significantly increase firm value. Although increased financing disbursement reflects the optimization of the banks intermediation function, investors do not rely solely on liquidity levels when valuing the firm; they also consider financing risks, corporate stability, and overall economic conditions.
- Total Asset Turnover (TATO) has a positive but insignificant effect on the Price to Book Value (PBV) of Sharia Commercial Banks. This indicates that the firms efficiency in utilizing assets to generate revenue has not directly resulted in a statistically significant increase in firm value. Investors tend to look beyond the effectiveness of asset utilization, considering other factors such as financing quality, risk levels, and the firms long-term prospects.Return on Assets (ROA) has a negative but insignificant effect on the Price to Book Value (PBV) of Sharia Commercial Banks. This indicates that the firms profitability level was not a primary driver of firm value during the study period. While ROA reflects the firms ability to generate profit, investors also take into account external factors such as macroeconomic conditions, Sharia banking regulations, and the stability of the Sharia financial industry.

Simultaneously, the Financing to Deposit Ratio (FDR), Total Asset Turnover (TATO), and Return on Assets (ROA) have a significant effect on the Price to Book Value (PBV) of Sharia Commercial Banks during the study period. This demonstrates that firm value is collectively influenced by liquidity conditions, the effectiveness of asset utilization, and the firms profitability level.

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