The Effect of Return on Equity, Net Interest Margin, Loan to Funding Ratio, Capital Adequacy Ratio, Debt to Equity Ratio and Non Performing Loan on Price to Book Value in Banking Industry Listed on the Indonesia Stock Exchange

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ABSTRACT

The banking industry is an industry in the financial sector which greatly influences the economic development and financial stability of a country. The poor performance of banking in a country can also have a negative impact on the economy of a country, this makes the Banking Industry the industry that is most watched and monitored by all parties. In banking business activities and to encourage banking activities for Indonesia, banking institutions need to increase company value by increasing shares. Firm value can be measured using the price to book value ratio. There are several factors that need to be considered by banking institutions that cause the rise and fall of the price to book value, the ratios that need to be considered include return on equity, net interest margin, loan to funding ratio, capital adequacy ratio, debt to equity ratio and non performing loan. This research was conducted to examine the effect of return on equity, net interest margin, loan to funding ratio, capital adequacy ratio, debt to equity ratio and non performing loan on price to book value simultaneously and partially in the banking industry listed on the Indonesia Stock Exchange, 2016-2018 period. The study used 26 banks with 78 research samples and the data were processed using SmartPLS v.3. The results showed that the return on equity, net interest margin, loan to funding ratio, capital adequacy ratio, debt to equity ratio and non performing loan simultaneously effect to price to book value. Return on equity and capital adequacy ratio partially has a positive and significant effect on price to book value. The loan to funding ratio partially has a negative and significant effect on price to book value. Net interest margin, debt to equity ratio and non performing loan have no significant effect on price to book value.

Keywords: Return on Equity, Net Interest Margin, Loan to Funding Ratio, Capital Adequacy Ratio, Debt to Equity Ratio, Non Performing Loan, Price to Book Value

INTRODUCTION

Banking in advancing the economy is enormous. All industrial sectors related to financial activities always need bank services, so the role of banking is very important. The poor performance of banking in a country can also have a negative impact on the economy of a country, this makes the Banking Industry the industry that is most watched and monitored by all parties. In Indonesia, banking is very tightly guarded, where banking in Indonesia is supervised by the Financial Services Authority, Bank Indonesia and the Deposit Insurance Corporation. According to Article 29 of the Banking Law in (Sulistyandari, 2012:227) banks are required to maintain the soundness level of the bank in accordance with capital adequacy, asset quality, management quality, liquidity, profitability, solvency, and other aspects related to bank activities, and are required to carry out

business activities, according to the precautionary principle.

In banking business activities and to encourage banking activities to be more advanced and to become a role for Indonesia, banking institutions need to increase company value by increasing shares by obtaining many investors. Steps taken by investors to invest in one of the securities offered in the capital market. Stocks are the most popular security commodity. When investing, investors certainly carry out a number of analyzes and considerations before decisions are made. One of the factors that is observed when investing is the stock price, besides that investors can also analyze various financial ratios, one of which is observing price to book value (PBV).

Price to book value (PBV) can be influenced by various things, one of the factors that support price to book value (PBV) is good financial performance in the company. Financial performance can be measured through financial reports. Assessment of a company's financial performance is one way that management can do in order to achieve the goals set by the company. Assessment of company performance as a result of the management decision-making process is a complex issue because it involves the effectiveness of capital utilization and the efficiency of the company's activities concerning the value and safety of various demands that arise on the company. In measuring financial performance, there are several ratios to measure, but the ratios that are very important in measuring Pebankan's financial performance are return on equity (ROE), net interest margin (NIM), loan to funding ratio (LFR), capital adequacy ratio (CAR), debt to equity ratio (DER) and non performing loan (NPL).

In carrying out the role of the Banking Industry in advancing the country's economy, it is necessary to increase investors by paying attention to the price to book value (PBV) of the Banking Industry, this needs to be considered the effect of banking financial performance through the ratio of return on equity, net interest margin, loan to funding ratio, capital adequacy ratio, debt to equity ratio and non performing loans.

LITERATURE REVIEW
2.1 Bank

Definition of a Bank according to Act No.7 of 1992 concerning Banking as amended by Act No.10 of 1998 (in the Indonesian Bankers Association, 2017:3), a Bank is a business entity that collects funds from the public in the form of deposits, and distributes them to the public in the form of credit and/or other forms in order to improve the standard of living of the community at large. Kasmir (2014:11) argues that a bank is a financial institution whose main activity is to collect funds from the public and channel these funds back to the community and provide other services.

2.2 Effect Between Variables

The Relationship Between Return on Equity (ROE), Net Interest Margin (NIM), Loan to Funding Ratio (LFR), Capital Adequacy Ratio (CAR), Debt to Equity Ratio (DER) and Non Performing Loan (NPL) to Price to Book Value (PBV)

Return on equity (ROE), net interest margin (NIM), loan to funding ratio (LFR), capital adequacy ratio (CAR), debt to equity ratio (DER) and non performing loan (NPL) are part of the financial ratios where analysis Financial reports are needed by investors in investment decisions that can affect price to book value (PBV), which is the value of the company. Financial statement analysis is a process of dissecting financial statements into its components (Dwi Prastowo, 2011:60). In-depth examination of each component and the relationship between these components will produce a comprehensive understanding of the financial statements themselves. In essence, financial statement analysis aims to provide a more appropriate and systematic basis for consideration in order to predict

what might happen in the future (Dwi Prastowo, 2011:60).

The measurement of firm value according to Weston and Copelan (2004:287) in the company's appraisal ratio consists of price earning ratio (PER), price to book value (PBV), and Tobin's Q. This study uses a measure of firm value, price to book value (PBV).

According to Tandelilin in Yesi (2014:2), price to book value shows a ratio that shows the fairness of the stock price, this ratio is seen by comparing the share price value per share with the company's book value. If the price to book value is too high, it indicates that the company's shares may have a high share price or experience over value. When this condition occurs, of course the stock liquidity position will decrease, therefore the price to book value ratio can be used as an indicator for taking various strategic policies related to the company. This ratio is certainly a tool for management to take strategic policies to determine stock price stability, such as conducting stock splits or doing various other important things.

Relationship of Return on Equity (ROE) to Price to Book Value (PBV)

Return on equity (ROE) is a ratio that compares net income to equity, return on equity (ROE) shows the company's ability to manage its own capital effectively, measuring the level of return on investment that has been made by the owner of the capital itself or the company's shareholders. The greater the value of return on equity (ROE), will reflect the company's ability to provide high returns for shareholders. According to Kasmir (2014:204) this ratio of return on equity (ROE) shows the efficiency of using one's own capital. The higher the ratio, the better. This means that the company's position will be stronger, and vice versa. This means that the high ratio of return on equity (ROE) according to Kasmir can increase firm value and directly affect the increase in price to book value (PBV).

Relationship of Net Interest Margin (NIM) to Price to Book Value (PBV)

Net interest margin (NIM) is a ratio that shows bank income derived from interest, in this case in the form of loan interest and interest on placements at other banks. The level of net interest margin (NIM) shows a high value of bank profits, because most of the income from the Bank is the result of the difference between loan interest and savings interest. Koch and Scott in Zuriani (2014:15) argue that net interest margin (NIM) is important to evaluate a bank's ability to manage risk on interest rates. When interest rates change, interest income and bank interest charges will change. For example, when interest rates increase, both interest income and interest costs will increase because some bank assets and liabilities will be valued at a higher rate.

Relationship of Loan to Funding Ratio (LFR) to Price to Book Value (PBV)

Loan to funding ratio (LFR) is the ratio of the ratio of loans provided by banks to the total funds raised by banks from the public. Bank Indonesia Regulation Number 17/11/PBI/2015 article 11 point 1a and point 1b states that the lower limit of LFR is 78% and the upper limit of LFR is 92% which states the bank is in good condition. So a good loan to funding ratio (LFR) is still in the range of 78% to 92%, if the LFR is below 78% which indicates that loans tend to be small compared to the funds raised, this will have an impact on low income from loans. given and the amount of funds raised from the public there is an interest obligation that must be paid by the Bank. Bank financial performance can be measured using the LFR ratio, where according to Kasmir (2016:225), the loan to funding ratio (LFR) is the ratio used to measure the composition of the amount of credit given compared to the amount of public funds and capital used plus a letter. valuable. The higher this ratio, the lower the liquidity of the bank concerned. On the other hand, if the lower the loan to funding ratio (LFR), the higher the liquidity of the

bank concerned. This ratio is also an indicator of the vulnerability and capability of a bank. Based on the theory and regulations of Bank Indonesia, a good loan to deposit ratio is in the predetermined range, namely 78% to 92%, so that ratios below and above the limit can of course affect or have a negative effect on firm value.

Relationship of Capital Adequacy Ratio (CAR) to Price to Book Value (PBV)

Capital adequacy ratio (CAR) is the ratio between capital and bank assets that contain risk. Bank Indonesia has provided limits that must be implemented by every bank conducting banking business activities in Indonesia in the context of implementing prudential banking in bank management. The prudential ratio can be assessed by the capital adequacy ratio (CAR) indicator, which is an indicator of a bank's ability to cover a decrease in its assets as a result of bank losses caused by risky assets. Mudika (2011:528), CAR is a ratio that shows how far all bank assets that contain risk (credit, investment, securities, claims on other banks) are also financed from the bank's own capital fund in addition to obtaining funds from sources in outside the bank, such as funds from the public, loans, and others. CAR is an indicator of a bank's ability to cover a decrease in its assets as a result of bank losses caused by risky assets. In terms of investing, investors tend to pay attention to the risk, where a lower risk will increase investor confidence and will increase the firm's value so that the price to book value (PBV) will increase.

Relationship of Debt to Equity Ratio (DER) to Price to Book Value (PBV)

Debt to equity ratio (DER) is the ratio between total debt to equity. According to Sugiyono (2009:71), states that the debt to equity ratio (DER) shows the ratio of debt and equity. This ratio is one of the important ratios because it relates to the problem of trading on equity, which can have a positive and negative impact on the

profitability of own and the company's capital.

Relationship of Non Performing Loans (NPL) to Price to Book Value (PBV)

Non performing loans (NPLs) show the ratio of non-performing loans to total loans. A high level of non-performing loans (NPL) indicates a high non-performing loan in the Bank. According to Masyhud in Dewi (2015:134-135), non-performing loans (NPLs) are a measure of a bank's business risk ratio that shows the amount of problematic credit risk that exists in a bank. Non performing loan (NPL) is a ratio used to measure a bank's ability to refute the risk of credit failure by debtors. Non-performing loans (NPLs) reflect credit risk, the smaller the non-performing loan (NPL) the smaller the credit risk borne by the bank. Based on the theory of NPL, it has more influence on credit risk and higher NPL will result in a bad influence on the Bank. High NPLs can reduce bank revenues and reduce company value which results in a decrease in the price to book value (PBV).

2.3 Previous Research
Nagian Toni, Meylina, Junita Clara Simanjuntak and Jeanne Ginting (2019)

Research published by IOSR Journal of Economics and Finance (IOSR-JEF) with the title "The Effect of Return on Equity, Dividend Policy, Liquidity and Capital Structure on Stock Prices in Registered Consumption Goods Companies in Indonesia Stock Exchange, 2013-2017", The research examines the effect of ROE, dividend policy (DPR), liquidity (CR) and DER on PBV, where the research shows that ROE and DER affect PBV while DPR and CR have no effect on PBV.

Yosie Gazali and Nagian Toni (2019)

Research from an International Journal entitled "Effect of Investment Decision, Devidend Policy and Company Size on Financial Performance (Empirical Study of Go Public Companies Listed on The IDX)". The research shows that investment

decision, dividend policy and company size affect financial performance by 66.73%

Eva Eko Hidayati (2010)
Research conducted by Eva Eko Hidayati in 2010 with the research title "Analysis of the Effect of DER, DPR, ROE, and SIZE on PBV of Manufacturing Companies listing on the IDX 2005-2007 Period". From the data analysis that has been conducted to determine the effect of debt to equity ratio, dividend payout ratio, return on equity and size on price book value, it can be concluded that DER and DPR have a negative and insignificant effect on PBV while ROE and Size have a positive and significant effect against PBV.

RESEARCH METHODS
This research was conducted on banking financial reports listed on the Indonesia Stock Exchange from 2016 to 2018. Data is taken from the website http://www.idx.co.id and other sites that support the author's research.

This research is a causal comparative study which aims to analyze the effect of independent variables on the dependent variable. This type of research is descriptive quantitative. Descriptive research methods include data collection to test hypotheses or answer questions about the current status of research subjects. Quantitative descriptive research describes or describes the characteristics of a situation or object of research carried out through collection and quantitative analysis and statistical testing using Smart PLS.

The sampling technique in this study is non-probability sampling, which is a sampling technique that does not provide an opportunity for each member of the population to be a sample member. The non-probability sampling technique used is purposive sampling, which is sampling based on certain criteria (Riduwan, 2006). In this study the criteria used in sampling are as follows:
1.Commercial banks that have been listed on the Indonesia Stock Exchange.

2.Commercial banks that are active in 2015 - 2018 are 33 (thirty three) in the banking industry.
3.Commercial banks that are not subsidiaries of the banks participating in the research sample, in this criterion, Bank Rakyat Indonesia Agroniaga with the AGRO code is excluded from the sample because it is a subsidiary of Bank Rakyat Indonesia with code BBRI which is part of the sample. of these, the remaining 32 (thirty two) banks.

The entire banking industry that was the research sample was 26 (twenty six) with 3 (three) observation periods of financial reporting, so the overall observations were 78 (seventy eight) observations. This observation method is called panel data.

RESULT AND DISCUSSION
Result
4.1 Structural Model Design
There are two stages in evaluating the results using the SEM-PLS method, namely the outer model and inner model. However, before conducting the evaluation phase of the outer model and inner model, first make a path diagram consisting of endogenous latent variables and exogenous variables. The path diagram at the beginning of the analysis can be described as follows.
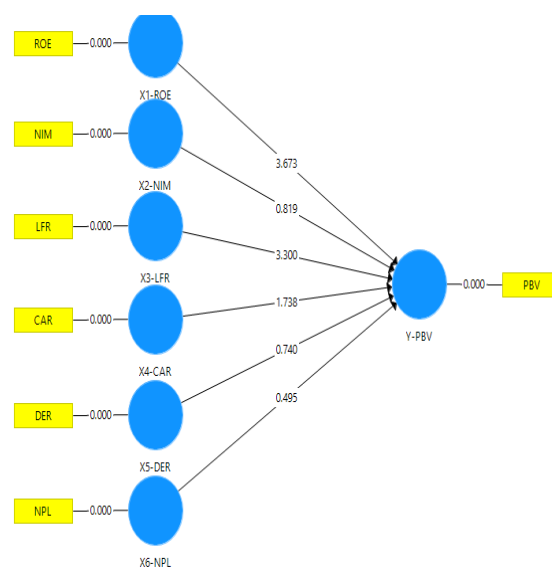
Source: Research Result (2019)
Figure 1. Structural Model Design

In this study, all X variables (exogenous latent variables) do not have a manifest variable because they are independent, exogenous latent variables consist of return on equity (ROE), net interest margin (NIM), loan to funding ratio (LFR), capital adequacy ratio (CAR), debt to equity ratio (DER) and non performing loan (NPL). Endogenous latent variable or variable Y also does not have a manifest because it stands alone, where the endogenous layen variable is price to book value (PBV).

4.2 Evaluation of Outer Model

The evaluation of the measurement model consists of three stages, namely the convergent validity test, the discriminant validity test and the composite reliability test.

4.2.1 Convergent Validity Test

Validity testing for reflective indicators can be done by using a correlation between the indicator score and the construct score. Measurements with reflective indicators show that there is a change in an indicator in a construct when other indicators in the same construct change. Following are the results of calculations using the PLS 3.0 smart computer program:

Table 1. Output Result for Outer Loading

	X1-ROE	X2-NIM	X3-LFR	X4-CAR	X5-DER	X6-NPL	Y-PBV
CAR				1.000			
DER					1.000		
LFR			1.000				
NIM		1.000					
NPL						1.000	
PBV							1.000
ROE	1.000						

Source: Research Result (2019)

According to Chin (1998) in Ghozali (2012:25), a correlation can be said to meet convergent validity if it has a loading value of greater than 0.5. The output shows that the loading factor provides a value above the recommended value of 0.5. So that the indicators used in this study have met the convergent validity.

4.2.2 Discriminant Validity Test

On the reflective indicator, it is necessary to test the discriminant validity by comparing the values in the cross loading table. An indicator is declared valid if it has the highest loading factor value for the intended construct compared to the loading factor value for other constructs.

Table 2. Output Cross Loading

	X1-ROE	X2-NIM	X3-LFR	X4-CAR	X5-DER	X6-NPL	Y-PBV
CAR	-0.194	0.126	-0.143	1.000	-0.568	-0.180	0.372
DER	-0.077	-0.484	-0.303	-0.568	1.000	0.308	-0.203
LFR	0.380	0.306	1.000	-0.143	-0.303	0.069	-0.188
NIM	0.419	1.000	0.306	0.126	-0.484	-0.210	0.119
NPL	-0.298	-0.210	0.069	-0.180	0.308	1.000	-0.192
PBV	0.283	0.119	-0.188	0.372	-0.203	-0.192	1.000
ROE	1.000	0.419	0.380	-0.194	-0.077	-0.298	0.283

Source: Research Result (2019)

Based on the cross loading output table, it shows that the loading factor value of the intended construct is 1,000 and has the highest value compared to other constructs, so that the research data shows that it has passed the discriminant validity test.

4.2.3 Reliability Test

Sarwono and Narimawati (2015:18) state that a latent variable can be said to have good reliability if the composite reliability value is greater than 0.7 and Cronbach's alpha value is greater than 0.7.

Table 3. Latent Variable Reliability Test Results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1-ROE	1.000	1.000	1.000	1.000
X2-NIM	1.000	1.000	1.000	1.000
X3-LFR	1.000	1.000	1.000	1.000
X4-CAR	1.000	1.000	1.000	1.000
X5-DER	1.000	1.000	1.000	1.000
X6-NPL	1.000	1.000	1.000	1.000
Y-PBV	1.000	1.000	1.000	1.000

Source: Research Result (2019)

Table 3 shows that all latent variables measured in this study have Cronbach's alpha and composite reliability values that are greater than 0.7, so it can be said that all latent variables are reliable.

4.3. Evaluation of Inner Model
Evaluation of the structural model in SEM with PLS was carried out by performing the R-squared (R^2) test and significance test through the path coefficient estimation.
4.3.1 R^2 Test
The output results for the value of R^2 using the smartPLS 3.0 computer program are obtained:

Table 4. R-Square

	R Square	R Square Adjusted
Y-PBV	0.361	0.307

Source: Research Result (2019)

In Table 4, it can be seen that the R Square value is 0.361, meaning that the ability of each exogenous latent variable in explaining the variation to the Price to Book Value (PBV) is 36.1%, while the remaining 63.9% is explained by other independent variables not included in this study. The results of the R Square study using SmartPLS showed the same results as the research using SPSS.

4.3.2 Significance Test/Hypothesis Testing SmartPLS
The significance test of the SEM model with PLS aims to determine the effect of exogenous variables on endogenous variables. Hypothesis testing using the PLS SEM method is carried out by carrying out the bootstrapping process with the help of the smartPLS 3.0 computer program so that the relationship between the influence of exogenous variables on endogenous variables is obtained as follows:

Table 5. Results of the Bootstrapping Research Data Calculation

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
X1-ROE -> Y-PBV	0.544	0.554	0.148	3.673	0.000
X2-NIM -> Y-PBV	-0.089	-0.076	0.109	0.819	-0.415
X3-LFR -> Y-PBV	-0.353	-0.363	0.107	3.300	-0.001
X4-CAR -> Y-PBV	0.386	0.326	0.222	1.738	0.086
X5-DER -> Y-PBV	-0.117	-0.135	0.158	0.740	-0.461
X6-NPL -> Y-PBV	0.081	0.048	0.164	0.495	-0.622

Source: Research Result (2019)

In carrying out the significance test, it is necessary to calculate t table and t count with a significance level of 0.05, with t table where df = number of samples - 2, namely 78-2 with a df value of 76, so that t table is 1.66515, so that the exogenous latent variable against the endogenous latent variable can be described as follows:

The variable return on equity (ROE) to price to book value (PBV) has a positive value of 0.544 or 54.4% with a t-statistic value of 3.673, which indicates that t-statistic (3.673) > t table (1.66515), it can be concluded that return on equity (ROE) has a positive and significant effect on price to book value (PBV) with an effect of 54.4%.

The variable net interest margin (NIM) to price to book value (PBV) has a negative value of 0.089 or 8.9% with a t-Statistic value of 0.819, which indicates that the t-Statistic (0.819) < t table (1.66515), it can be concluded that net interest margin (NIM) has no significant effect on price to book value (PBV).

The variable loan to funding ratio (LFR) to price to book value (PBV), has a negative value of 0.353 or 35.3% with a t-statistic value of 3,300, which indicates that t-statistic (3,300) > t table (1.66515), it can be concluded that the loan to funding ratio (LFR) has a negative and significant effect on price to book value (PBV) with an effect of -35.3%.

The variable capital adequacy ratio (CAR) to price to book value (PBV) has a positive value of 0.386 or 38.6% with a t-statistic value of 1.738, which indicates that t-statistic (1.738) > t table (1.66515), it can be concluded that capital adequacy ratio (CAR) has a positive and significant effect on price to book value (PBV) with an effect of 38.6%.

The variable debt to equity ratio (DER) to price to book value (PBV) has a negative value of 0.117 or 11.7% with a t-statistic value of 0.740, which indicates that the t-statistic (0.740) < t table (1.66515), it can be concluded that the debt to equity ratio (DER) has no significant effect on price to book value (PBV).

The variable non performing loan (NPL) to price to book value (PBV) has a positive value of 0.081 or 8.1% with a t-statistic value of 0.495, which indicates that the t-statistic (0.495) < ttable (1.66515), it can be concluded that non performing loan (NPL) has no significant effect on price to book value (PBV).

DISCUSSION
4.4 Effects of Return on Equity (ROE), Net Interest Margin (NIM), Loan to Funding Ratio (LFR), Capital Adequacy Ratio (CAR), Debt to Equity Ratio (DER), and Non Performing Loan (NPL) to Price to Book Value (PBV)

Based on the results of hypothesis testing, it shows that return on equity (ROE), net interest margin (NIM), loan to funding ratio (LFR), capital adequacy ratio (CAR), debt to equity ratio (DER), and non performing loans (NPL) collectively have a significant effect on the price to book value (PBV) of the banking industry listed on the

Indonesia Stock Exchange. Based on the results of the determination coefficient, it shows the ability of each independent variable to explain variations to the price to book value (PBV) of 36.1%, while the remaining 63.9% is explained by other independent variables not included in the study.

4.4.1 Effect of Return on Equity (ROE) on Price to Book Value (PBV)

Based on the research results, it shows that the variable return on equity (ROE) has a positive and significant effect on price book value (PBV), this reflects that the high return on equity (ROE) can affect the high price book value (PBV), to increase the price book value (PBV) of companies need to pay attention to the return on equity (ROE) ratio by continuing to strive to increase net income every year and maintain existing equity.

According to Kasmir (2014:204) the ratio of return on equity (ROE) shows the efficiency of using own capital. The higher the ratio, the better. This means that the company's position will be stronger, and vice versa. This means that the high ratio of return on equity (ROE) according to cashmere can increase firm value and directly affect the increase in price to book value (PBV). The theory put forward by Kasmir also supports the research results.

4.4.2 Effect of Net Interest Margin (NIM) on Price to Book Value (PBV)

Based on the results of the research conducted, it shows that the net interest margin (NIM) variable has no effect on the price to book value (PBV). This shows that the value of net interest margin (NIM) has no impact on the Price to Book Value (PBV). Koch and Scott (in Zuriani, 2014:15) argue that net interest margin (NIM) is important to evaluate a bank's ability to manage risk on interest rates. When interest rates change, interest income and bank interest charges will change. For example, when interest rates increase, both interest income and interest costs will

increase because some bank assets and liabilities will be valued at a higher rate. This shows that there is a difference in the results of research which shows that the net interest margin (NIM) has no effect on the price to book value (PBV).

4.4.3 Effect of Loan to Funding Ratio (LFR) on Price to Book Value (PBV)

The results showed that the loan to funding ratio (LFR) variable had a negative and significant effect on price to book value (PBV). Research shows that a higher loan to funding ratio (LFR) can lead to a lower price to book value (PBV). Bank Indonesia Regulation Number 17/11/PBI/2015 article 11 point 1a and point 1b states that the lower limit of LFR is 78% and the upper limit of LFR is 92% which states the bank is in good condition. So that a good loan to funding ratio (LFR) is still in the range of 78% to 92%, if the LFR is below 78% which indicates that loans tend to be small compared to the funds raised, this will have an impact on low income from loans given and the amount of funds raised from the public there is an interest obligation that must be paid by the Bank. Based on the theory and regulations of Bank Indonesia, a good loan to deposit ratio (LFR) is in the predetermined range, namely 78% to 92%, so that ratios below and above the limit can of course affect or have a negative effect on Firm Value, so the theory follows. support the research results.

4.4.4 Effect of Capital Adequacy Ratio (CAR) on Price to Book Value (PBV)

Based on the research results, it shows that the variable capital adequacy ratio (CAR) has a positive and significant effect on price to book value (PBV). A high capital adequacy ratio (CAR) will be better, this shows that the bank will have a greater capacity to minimize risk as well as be able to expand. The high capital adequacy ratio (CAR) affects the share decisions of the shareholders where with a high capital adequacy ratio (CAR) shareholders will feel safer and have more ability to increase the

value of these shares so that a high capital adequacy ratio (CAR) will have an impact on value. The price to book value (PBV) will be higher too.

4.4.5 Effect of Debt to Equity Ratio (DER) on Price to Book Value (PBV)

Research shows that the debt to equity ratio (DER) has no significant effect on price to book value (PBV), where the debt to equity ratio (DER) does not have a significant effect on stocks, because investors also pay attention to other ratios. Investors in the banking industry tend not to see the level of DER because the level of debt does not change significantly. Darsono and Ashari (2010:54-55) argue that DER is included in the solvency ratio which is used to determine the company's ability to pay its obligations if the company is liquidated and debt management in corporate funding will have more impact on company management and the basis for management decision making, related to PBV shows the value of the company that is influenced by investors in investing in shares, so based on this theory, DER does not affect the decision of potential investors and does not affect PBV, as the results of the research show.

4.4.6 Effect of Non Performing Loan (NPL) on Price to Book Value (PBV)

The results showed that NPL had no significant effect on price to book value (PBV). Non performing loan (NPL) has no effect on price to book value (PBV). Investors in viewing the soundness level of a bank based on lending, investors do not only look at the level of non performing loan (NPL) but also how the Bank analyzes credit and repairs bad credit. Non performing loan (NPL) tend to be resolved by restructuring credit and selling assets that become credit collateral. Banking in Indonesia tends to be very strict on the ratio of non performing loan (NPL) so that NPL tends to be stable. Non performing loan (NPL) do not have a major impact on stock investment decisions so they do not have a significant effect on price to book value

(PBV). Non performing loan (NPL) are a bad factor for banks, NPL can cause a very significant decline in company profits, but the results of previous research and research indicate that non performing loan (NPL) have no significant effect on price to book value (PBV), due to Industry Banks listed on the Indonesia Stock Exchange tend to have a low non performing loan (NPL) value, so that it does not significantly affect the price to book value (PBV).

CONCLUSION AND SUGGESTION

Based on the results of research and discussion, this research can be concluded as follows:

1.Return on equity (ROE), net interest margin (NIM), loan to funding ratio (LFR), capital adequacy ratio (CAR), debt to equity ratio (DER), and non performing loan (NPL) simultaneously have a significant effect to the price to book value (PBV) of the banking industry listed on the Indonesia Stock Exchange of 36.1%.

2.Return on equity (ROE) has a positive and significant effect on price to book value (PBV) of 54.4%

3.Net interest margin (NIM) has no significant effect on price to book value (PBV).

4.Loan to funding ratio (LFR) has a negative and significant effect on the price to book value (PBV) of -35.3%.

5.Capital adequacy ratio (CAR) has a positive and significant effect on price to book value (PBV) of 38.6%.

6.Debt to equity ratio (DER) has no significant effect on price to book value (PBV).

7.Non performing loan (NPL) do not have a significant effect on price to book value (PBV).

Based on the conclusions described previously, it can be suggested as follows:

1.Banking Industry listed on the Indonesia Stock Exchange in order to increase investors by increasing price to book value (PBV), the Banking Industry needs to increase return on equity (ROE) and capital adequacy ratio (CAR), by:

-Increase profit by paying attention to profit growth every year.

-Efficiency of unnecessary operational costs that can reduce company profits.

-Ensuring capital adequacy to ensure the Bank can overcome possible risk of loss,

-Monitor all assets in detail and reduce the purchase of assets that are high risk and unproductive

2.In terms of preventing a decrease in the price to book value (PBV) of the Banking Industry listed on the Indonesia Stock Exchange, it is recommended to maintain a loan to funding ratio (LFR) between 78% and 92%, by monitoring funding and lending. conducted by the bank in order to maintain the loan to funding ratio (LFR) ratio, the value of funding (third party funds) which is high compared to the funds channeled can have an impact on high bank costs so as to reduce company profit income, while lending is too high. Large impact on bank risk which tends to be higher and dangerous to the health of the bank. Monitoring funding and lending is the best way to keep the loan to funding ratio (LFR) in the range of 78% to 92%.

3.The banking industry listed on the Indonesia Stock Exchange maintains the ratio of net interest margin (NIM), debt to equity ratio (DER) and non performing loan (NPL) even though the research results show that these variables have no effect on Price to Book Value (PBV) However, these variables can affect the good and bad of the company, by:

-Increase credit interest income with large lending.

-Reducing the use of loans from third parties.

-Be more selective in lending.

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