

ABSTRACT

This study aims to examine the effect of asset quality, capital adequacy, and liquidity on firm value, with profitability acting as an intervening variable. The research focuses on the banking sector in Indonesia during the period 2019 to 2024, a time when the Financial Services Authority (Otoritas Jasa Keuangan – OJK) implemented a credit relaxation policy through POJK No.11/POJK.03/2020 as a preventive measure to maintain financial system stability amid the economic downturn caused by the COVID-19 pandemic.

The research sample consists of 48 banks listed on the Indonesia Stock Exchange (IDX). Samples were selected using the purposive sampling method to ensure alignment with the study's criteria, while data analysis was conducted using the panel data regression model with the Random Effect Model (REM) approach, processed through EViews version 13 software.

The findings reveal that the Non-Performing Loan (NPL) ratio has a negative and significant effect on Return on Assets (ROA), indicating that an increase in problematic loans reduces banks' profitability. In contrast, the Capital Adequacy Ratio (CAR) and Loan to Deposit Ratio (LDR) show no significant influence on profitability. In the second model, the results indicate that LDR has a negative and significant effect on Price to Book Value (PBV), while NPL, CAR, and ROA do not significantly affect firm value.

Keywords: Asset Quality, Capital Adequacy, Liquidity, Profitability, Firm Value, Credit Relaxation.