ENHANCING BANKING FUTURE PERFORMANCE: REVALUATION AND BOOK-TO-MARKET RATIO

FINAL PROJECT

To Fulfill the Requirements for Obtaining a Bachelor's Degree

MARIA MAGDALENA

NIM. B1024211004

MANAGEMENT STUDY PROGRAM

FACULTY OF ECONOMICS AND BUSINESS

UNIVERSITAS TANJUNGPURA

PONTIANAK

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ACKNOWLEDGEMENT

First and foremost, I would like to express my deepest gratitude to God Almighty for His abundant blessings, infinite wisdom, and divine guidance that have enabled me to complete this thesis entitled ***"Enhancing Banking Future Performance: Revaluation and Book-to-Market Ratio."*** This thesis is submitted as a partial fulfillment of the requirements for obtaining a Bachelor's Degree in Management at the Faculty of Economics and Business, Universitas Tanjungpura. This work is dedicated to my beloved parents, who have been my eternal pillars of strength and inspiration throughout this academic journey.

The completion of this final project would not have been possible without the support, guidance, and assistance of numerous individuals and institutions. Therefore, I would like to extend my sincere appreciation to:

1. Prof. Dr. H. Garuda Wiko, S.H., M.Si., Rector of Universitas Tanjungpura.
2. Dr. Barkah, S.E., M.Si., Dean of the Faculty of Economics and Business, Universitas Tanjungpura.
3. Heriyadi, S.E., M.E., Ph.D., Head of Management Department and Academic Advisor.
4. Dr. Wenny Pebrianti, S.E., M.Sc., Secretary of Management Department, Faculty of Economics and Business, Universitas Tanjungpura.
5. Bintoro Bagus Purmono, S.E., M.M., Coordinator of Management Study Program, Faculty of Economics and Business, Universitas Tanjungpura.
6. Helma Malini, S.E., M.M., Ph.D., Research Advisor in MBKM Research Program, for invaluable guidance, advice, and motivation throughout the learning process and the preparation of this final project.
7. Anwar Azazi, S.E., D.E.A., examiner in the MBKM Research Program, for critical and valuable input that enhanced this final project.
8. Uray Ndaru Mustika, S.E., M.M., examiner in the MBKM Research Program, for insightful perspectives and meaningful suggestions that improved the quality of this final project.
9. All lecturers of the Faculty of Economics and Business, particularly in the Management Department, who have shared their knowledge and expertise throughout my academic journey.
10. The Academic Staff, Administration Office, and other Educational Personnel at the Faculty of Economics and Business who have facilitated the administrative processes.
11. Mama and Papa, whose boundless love and unwavering support have been the cornerstone of my academic journey. From their heartfelt prayers and words of encouragement to their unending patience in understanding my struggles, they have always been my greatest source of motivation. Every milestone I achieve is a testament to their endless love, dedication, and belief in my potential.

12. My sisters, Severia and Stella Novebria, for being my cheerleaders, confidantes, and sources of encouragement during challenging times.
13. My dear friends, Cinthia and Frencylia, who have been my steadfast companions since our first semester. Together, we've navigated the ups and downs of university life, sharing countless moments of joy, growth, and support. Our friendship has been a source of strength, laughter, and encouragement throughout this journey.
14. Cecilia, an extraordinary companion in this academic journey. Your kindness, shared meals, and ice cream breaks have made this experience more enjoyable and memorable.
15. Kelly and Siti, whose friendship and unwavering support, even from afar, have been a source of strength and inspiration.
16. My fellow MBKM researchers: Adhinda, Miranda, Saif, Sukma, Shafira, Angga and Oloan, for the shared challenges, late-night discussions, and mutual encouragement throughout this journey.
17. The IC Class of 2021**,** for fostering a collaborative and inspiring academic environment.
18. To myself, both present and future: Thank you for the dedication and resilience throughout this journey. Every challenge has been an opportunity for growth, and this achievement is both a milestone and a testament to your capabilities. Let it inspire you to pursue your dreams with the same passion and perseverance that have brought you here.

Finally, I would like to express my deepest gratitude to all those who have contributed to my academic journey. Every contribution has been invaluable in the completion of this final project. I sincerely hope that this work will serve as a valuable reference and make a meaningful contribution to future research in this field.

Pontianak, 10 January 2025



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ENHANCING BANKING FUTURE PERFORMANCE: REVALUATION AND BOOK-TO-MARKET RATIO

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ABSTRAK

Sektor perbankan memegang peranan penting dalam stabilitas ekonomi global, mendukung kegiatan keuangan dan investasi. Sebelum mengambil keputusan pendanaan di sektor perbankan, investor memerlukan keterbukaan informasi yang dapat diandalkan. Penilaian nilai buku dan pengelolaan aset merupakan langkah strategis yang memberikan gambaran yang tepat tentang nilai fundamental perusahaan, dibandingkan dengan nilai pasar yang fluktuatif. Penelitian ini bertujuan untuk menyelidiki bagaimana *book-to-market ratio* memediasi hubungan antara *asset revaluation*, *return on assets*, *debt equity ratio*, dan *future financial performance* (ROE). Menggunakan pendekatan kuantitatif dengan analisis regresi berganda menggunakan Eviews 13. *Path analysis* digunakan untuk menguji efek mediasi. Penelitian ini melakukan *unbalanced panel analysis* yang terdiri dari 80 observasi dari 30 bank di Indonesia yang terdaftar di Bursa Efek Indonesia dari tahun 2014 hingga 2022 yang memenuhi kriteria pengambilan sampel. Data berasal dari laporan keuangan tahunan dan dipilih melalui kriteria pengambilan *purposive sampling* yang difokuskan pada adanya revaluasi aset. Temuan penelitian ini menunjukkan bahwa *asset revaluation* berdampak negatif terhadap *book-to-market ratio* ketika ROA memiliki hubungan positif. ROA dan *book-to-market ratio* berpengaruh positif terhadap *debt equity ratio*. Kemudian, ROA memiliki dampak positif yang signifikan terhadap *banking future performance*, sedangkan DER memiliki hubungan negatif yang signifikan. Sebaliknya, *book-to-market ratio* terbukti dapat memediasi hubungan antara *return on assets* dan *debt equity ratio.*

Kata Kunci: *Asset Revaluation, Book-to-Market Ratio, Debt Equity Ratio, Future Performance, Return on Assets*.

ENHANCING BANKING FUTURE PERFORMANCE: REVALUATION AND BOOK-TO-MARKET RATIO

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ABSTRACT

The banking sector played a crucial role in global economic stability, supporting financial and investment activities. Prior to making funding decisions within the banking sector, investors required reliable information disclosure. The assessment of book value and asset management were strategic steps that provided a precise representation of the company's fundamental value, compared to volatile market value. This research aimed to investigate how the book-to-market ratio mediated the relationship between asset revaluation, return on assets, debt equity ratio, and future financial performance (ROE). Employing quantitative approach with multiple regression analysis using Eviews 13. Path analysis was utilized to examine the mediation effect. This research conducted an unbalanced panel analysis consisting of 80 observations from 30 Indonesian banks listed on the Indonesia Stock Exchange from 2014 to 2022 that fulfilled the sampling criteria. Data is derived from annual financial reports and selected through purposive sampling criteria focused on the presence of asset revaluation. The finding of this research indicated that asset revaluation negatively affects the book-to-market ratio when ROA has a positive relationship. ROA and book-to-market ratio positively affect debt equity ratio. Then, ROA has a significant positive impact on banking future performance, while DER has a significant negative relationship. Conversely, the book-to-market ratio proven can mediate the relationship between return on assets and debt equity ratio.

Keywords: *Asset Revaluation, Book-to-Market Ratio, Debt Equity Ratio, Future Performance, Return on Assets*.

ENHANCING BANKING FUTURE PERFORMANCE: REVALUATION AND BOOK-TO-MARKET RATIO

RINGKASAN

1. Latar belakang

Industri perbankan di Indonesia merupakan pilar fundamental perekonomian nasional, berkontribusi signifikan terhadap stabilitas keuangan dan pertumbuhan investasi. Investor di sektor perbankan memainkan peran penting dalam mendukung perkembangannya dengan menyediakan modal yang esensial. Namun, volatilitas pasar yang terus-menerus menghadirkan tantangan bagi kepercayaan investor, memerlukan strategi yang efektif untuk menarik dan mempertahankan komitmen mereka. Penyediaan modal yang memadai dari investor sangat penting untuk pertumbuhan dan pengembangan perusahaan, karena mendorong efisiensi melalui pengurangan biaya keagenan dan mitigasi asimetri informasi (Fan et al., 2023; Lei & Luo, 2023).

Indikator kinerja keuangan, seperti *return on equity* (ROE), memainkan peran penting dalam mengevaluasi kinerja perbankan dengan mengukur efektivitas manajemen dalam memanfaatkan ekuitas untuk menghasilkan keuntungan (Ridwan et al., 2022). Selain itu, struktur permodalan yang diwakili oleh *debt equity ratio* (DER) merupakan penentu utama kinerja dan stabilitas keuangan perusahaan, yang mempengaruhi kapasitas perusahaan dalam mengelola risiko kredit dan mengoptimalkan sumber pendanaan (Febrianti et al., 2024). Manajemen aset yang efektif, diukur melalui *return on assets* (ROA), juga berkontribusi pada kinerja keuangan dengan meningkatkan efisiensi dan mengurangi konflik agensi, yang pada akhirnya meningkatkan kepercayaan investor (Chen et al., 2023).

Asset revaluation, yang menyesuaikan nilai buku aset untuk mencerminkan kondisi pasar saat ini, berfungsi sebagai mekanisme penting untuk meningkatkan transparansi laporan keuangan dan mengurangi asimetri informasi (Ridwan et al., 2022). Selain itu, *book-to-market ratio* (B/M) adalah ukuran penting dari persepsi pasar, karena membandingkan nilai pasar ekuitas perusahaan dengan nilai bukunya. Literatur yang ada menyoroti peran rasio B/M dalam memediasi hubungan antara manajemen aset dan *leverage*. Sementara profitabilitas sering ditemukan berkorelasi negatif dengan *leverage* (Gutiérrez-Ponce, 2024), *asset revaluation* telah terbukti meningkatkan *leverage* dengan meningkatkan nilai buku perusahaan dan memungkinkan akses ke pendanaan eksternal tambahan (Diantimala & Sofyani, 2020).

Penelitian ini berfokus pada sektor perbankan Indonesia untuk menyelidiki dampak struktur modal dan *asset revaluation* terhadap kinerja keuangan dan kepercayaan investor. Dengan mengatasi faktor-faktor ini, penelitian ini bertujuan untuk berkontribusi pada wacana akademis dan memberikan wawasan yang dapat ditindaklanjuti untuk mengoptimalkan strategi keuangan untuk menarik dan mempertahankan investor, sehingga memastikan pertumbuhan yang berkelanjutan di sektor perbankan.

2. Perumusan Masalah

a) Bagaimana pengaruh *asset revaluation* terhadap *book-to-market ratio* pada perusahaan perbankan di Indonesia?
b) Bagaimana pengaruh *return on assets* (ROA) terhadap *book-to-market ratio* pada perusahaan perbankan di Indonesia?
c) Bagaimana pengaruh *asset revaluation* terhadap *leverage* (DER) pada perusahaan perbankan di Indonesia?
d) Bagaimana pengaruh *return on assets* (ROA) terhadap *leverage* (DER) pada perusahaan perbankan di Indonesia?
e) Bagaimana pengaruh *book-to-market ratio* terhadap *leverage* (DER) pada perusahaan perbankan di Indonesia?
f) Bagaimana pengaruh *asset revaluation* terhadap *future financial performance* (ROEt+1) pada perusahaan perbankan di Indonesia?
g) Bagaimana pengaruh *return on assets* (ROA) terhadap *future financial performance* (ROEt+1) pada perusahaan perbankan di Indonesia?
h) Bagaimana pengaruh *leverage* (DER) terhadap *future financial performance* (ROEt+1) pada perusahaan perbankan di Indonesia?
i) Apakah *book-to-market ratio* memediasi pengaruh *asset revaluation* terhadap *leverage* (DER) pada perusahaan perbankan di Indonesia?
j) Apakah *book-to-market ratio* memediasi pengaruh *return on assets* (ROA) terhadap *leverage* (DER) pada perusahaan perbankan di Indonesia?

3. Tujuan Penelitian

a) Menguji dan menganalisis pengaruh *asset revaluation* terhadap *book-to-market ratio* pada perusahaan perbankan di Indonesia.
b) Menguji dan menganalisis pengaruh *return on assets* (ROA) terhadap *book-to-market ratio* pada perusahaan perbankan di Indonesia
c) Menguji dan menganalisis pengaruh *asset revaluation* terhadap *leverage* (DER) pada perusahaan perbankan di Indonesia.
d) Menguji dan menganalisis pengaruh *return on assets* (ROA) terhadap *leverage* (DER) pada perusahaan perbankan di Indonesia.
e) Menguji dan menganalisis pengaruh *book-to-market ratio* terhadap *leverage* (DER) pada perusahaan perbankan di Indonesia.
f) Menguji dan menganalisis pengaruh *asset revaluation* terhadap *future financial performance* (ROEt+1) pada perusahaan perbankan di Indonesia.
g) Menguji dan menganalisis pengaruh *return on assets* (ROA) terhadap *future financial performance* (ROEt+1) pada perusahaan perbankan di Indonesia.
h) Menguji dan menganalisis pengaruh *leverage* (DER) terhadap *future financial performance* (ROEt+1) pada perusahaan perbankan di Indonesia.
i) Menguji dan menganalisis peran mediasi *book-to-market ratio* dalam hubungan antara *asset revaluation* dan *leverage* (DER) pada perusahaan perbankan di Indonesia.
j) Menguji dan menganalisis peran mediasi *book-to-market ratio* dalam hubungan antara *return on assets* (ROA) dan *leverage* (DER) pada perusahaan perbankan di Indonesia.

3. Metode Penelitian

Penelitian ini menggunakan pendekatan kuantitatif dengan analisis deskriptif untuk menguji hubungan antara *asset revaluation*, *return on assets* (ROA), *book-to-market ratio* (B/M), *leverage* (DER) dan *return on equity* pada periode berikutnya (ROEt+1). Data sekunder diperoleh dari laporan keuangan dari situs resmi perusahaan dan (finance.yahoo.com). Populasi penelitian ini adalah semua bank yang terdaftar di BEI selama periode 2014-2022. Penelitian ini melakukan *unbalanced panel analysis* dengan 80 pengamatan dari 30 bank di Indonesia yang terdaftar di Bursa Efek Indonesia dari tahun 2014 hingga 2022 yang memenuhi kriteria sampling. Formulasi variabel penelitian berasal dari (Ridwan et al., 2022). Penelitian ini menggunakan perangkat lunak E-views 13 sebagai alat untuk melakukan analisis regresi berganda untuk menguji peran *book-to-market ratio* (B/M) dalam memediasi hubungan antara *asset revaluation* dan *return on asset* (ROA) pada *leverage* untuk melihat dampaknya terhadap *return on equity* pada periode berikutnya (ROEt+1), dan juga *path analysis* (*sobel test*) untuk memeriksa efek mediasi.

4. Hasil Penelitian

a) Probabilitas *asset revaluation* (AR) terhadap *book-to-market ratio* (B/M) adalah 0,0453 (< 0,05), dengan koefisien -0,134685. Hal ini menunjukkan efek negatif signifikan AR pada B/M.
b) Probabilitas *return on assets* (ROA) terhadap *book-to-market ratio* (B/M) adalah 0,0000 (< 0,05), dengan koefisien 0,843276. Temuan ini menunjukkan efek positif signifikan ROA pada B/M.
c) Probabilitas *asset revaluation* (AR) terhadap *debt-to-equity ratio* (DER) adalah 0,4522 (> 0,05), dengan koefisien -0,023494. Tidak ada bukti cukup untuk mendukung efek negatif AR pada DER.
d) Probabilitas *return on assets* (ROA) terhadap *debt equity ratio* (DER) adalah 0,0000 (< 0,05), dengan koefisien 0,681556. Hasil ini menunjukkan efek positif signifikan ROA pada DER.
e) Probabilitas *book-to-market ratio* (B/M) terhadap *debt equity ratio* (DER) adalah 0,0042 (< 0,05), dengan koefisien 0,176968. Hal ini menunjukkan efek positif signifikan B/M pada DER.
f) Probabilitas *asset revaluation* (AR) terhadap *future financial performance* (ROEt+1) adalah 0,3381 (> 0,05), dengan koefisien -0,020107. Tidak ada bukti cukup untuk mendukung efek negatif AR pada *future* ROE.
g) Probabilitas *return on assets* (ROA) terhadap *future financial performance* (ROEt+1) adalah 0,0000 (< 0,05), dengan koefisien 0,599231. Temuan ini menunjukkan efek positif signifikan ROA pada *future* ROE.
h) Probabilitas *debt equity ratio* (DER) terhadap *future financial performance* (ROEt+1)adalah 0,0042 (< 0,05), dengan koefisien -0,483758. Hal ini menunjukkan efek negatif signifikan DER pada *future* ROE.
i) Probabilitas jalur mediasi *asset revaluation* (AR) → *book-to-market ratio* (B/M) → *debt equity ratio* (DER) adalah 0,09181574 (> 0,05). Ini menunjukkan bukti tidak cukup untuk mendukung mediasi B/M dalam hubungan antara AR dan DER.

j) Probabilitas jalur mediasi *return on assets* (ROA) → *book-to-market ratio* (B/M) → *debt equity ratio* (DER) adalah 0,004404 (< 0,05). Ini menunjukkan bahwa B/M secara signifikan memediasi hubungan antara ROA dan DER.

5. Kesimpulan dan Saran

a) Kesimpulan

Temuan penelitian ini menunjukkan bahwa *asset revaluation* berpengaruh negatif terhadap *book-to-market ratio*, namun ROA memiliki hubungan positif. Pada substruktur kedua, *asset revaluation* memiliki pengaruh negatif yang tidak signifikan terhadap DER. Namun, ROA dan *book-to-market ratio* keduanya berpengaruh positif terhadap DER. Dalam substruktur ketiga, *asset revaluation* menunjukkan korelasi negatif yang tidak signifikan dengan *future financial performance*. Sebaliknya, ROA memiliki pengaruh positif yang signifikan, sementara DER berpengaruh negatif terhadap *banking future performance*. Penelitian ini juga menunjukkan bahwa *book-to-market ratio* tidak dapat memediasi hubungan antara *asset revaluation* dan DER. Meskipun demikian, studi ini membuktikan bahwa *book-to-market ratio* memediasi hubungan antara ROA dan *debt equity ratio*.

b) Saran

Penelitian mendatang sebaiknya berfokus pada investigasi lebih lanjut tentang populasi penelitian dengan menggunakan studi lintas negara atau mengalihkan penekanan industri ke sektor dengan proporsi pemanfaatan *fixed asset* yang lebih tinggi, seperti *real estate* atau manufaktur. Selain itu, dengan memasukkan control variables seperti *firm size* dan *liquidity* akan meningkatkan validitas dan reliabilitas dari hasil penelitian.

ENHANCING BANKING FUTURE PERFORMANCE: REVALUATION AND BOOK-TO-MARKET RATIO

SUMMARY

1. Background

The banking industry in Indonesia serves as a fundamental pillar of the national economy, contributing significantly to financial stability and investment growth. Investors in the banking sector play a crucial role in supporting its development by providing essential capital. However, persistent market volatility presents challenges to investor confidence, necessitating effective strategies to attract and retain their commitment. The provision of sufficient capital from investors is essential for corporate growth and development, as it promotes efficiency through the reduction of agency costs and the mitigation of information asymmetry (Fan et al., 2023; Lei & Luo, 2023).

Financial performance indicators, such as return on equity (ROE), play a critical role in evaluating banking performance by measuring the effectiveness of management in utilizing equity to generate profits (Ridwan et al., 2022). Additionally, the capital structure, represented by the debt equity ratio (DER), is a key determinant of corporate financial performance and stability, influencing the company's capacity to manage credit risk and optimize funding sources (Febrianti et al., 2024). Effective asset management, measured through return on assets (ROA), also contributes to financial performance by improving efficiency and mitigating agency conflicts, which in turn bolsters investor trust (Chen et al., 2023).

Asset revaluation, which adjusts the book value of assets to reflect current market conditions, serves as a vital mechanism for enhancing financial statement transparency and reducing information asymmetry (Ridwan et al., 2022). Furthermore, the book-to-market (B/M) ratio is a critical measure of market perception, as it compares the market value of a company's equity to its book value. Existing literature highlights the nuanced role of the B/M ratio in mediating the relationship between asset management and leverage. While profitability is often found to negatively correlate with leverage (Gutiérrez-Ponce, 2024), asset revaluation has been shown to increase leverage by improving a company's book value and enabling access to additional external funding (Diantimala & Sofyani, 2020).

This study focuses on the Indonesian banking sector to investigate the impact of capital structure and asset revaluation on financial performance and investor trust. By addressing these factors, the research aims to contribute to the academic discourse and provide actionable insights for optimizing financial strategies to attract and retain investors, thereby ensuring sustainable growth in the banking sector.

2. Problem Formulation

a) How does asset revaluation affect the book-to-market ratio in banking companies in Indonesia?
b) How does return on assets (ROA) affect the book-to-market ratio in banking companies in Indonesia?

c) How does asset revaluation affect leverage (DER) in banking companies in Indonesia?
d) How does return on assets (ROA) affect leverage (DER) in banking companies in Indonesia?
e) How does the book-to-market ratio affect leverage (DER) in banking companies in Indonesia?
f) How does asset revaluation affect future financial performance (ROEt+1) in banking companies in Indonesia?
g) How does return on assets (ROA) affect future financial performance (ROEt+1) in banking companies in Indonesia?
h) How does leverage (DER) affect future financial performance (ROEt+1) in banking companies in Indonesia?
i) Does the book-to-market ratio mediate the effect of asset revaluation on leverage (DER) in banking companies in Indonesia?
j) Does the book-to-market ratio mediate the effect of return on assets (ROA) on leverage (DER) in banking companies in Indonesia?

3. Research Objectives

a) To examine and analyze the effect of asset revaluation on the book-to-market ratio in banking companies in Indonesia.
b) To examine and analyze the effect of return on assets (ROA) on the book-to-market ratio in banking companies in Indonesia.
c) To examine and analyze the effect of asset revaluation on leverage (DER) in banking companies in Indonesia.
d) To examine and analyze the effect of return on assets (ROA) on leverage (DER) in banking companies in Indonesia.
e) To examine and analyze the effect of the book-to-market ratio on leverage (DER) in banking companies in Indonesia.
f) To examine and analyze the effect of asset revaluation on future financial performance (ROEt+1) in banking companies in Indonesia.
g) To examine and analyze the effect of profitability (ROA) on future financial performance (ROEt+1) in banking companies in Indonesia.
h) To examine and analyze the effect of leverage (DER) on future financial performance (ROEt+1) in banking companies in Indonesia.
i) To examine and analyze the mediating role of the book-to-market ratio in the relationship between asset revaluation and leverage (DER) in banking companies in Indonesia.
j) To examine and analyze the mediating role of the book-to-market ratio in the relationship between profitability (ROA) and leverage (DER) in banking companies in Indonesia**.**

3. Research Methods

This research using quantitative approach with descriptive analysis to test the relationship between asset revaluation, return on asset (ROA), book-to-market ratio (B/M), leverage (DER) and return on equity in the next period (ROEt+1). Secondary data was obtained from financial reports from the company's official

website and (finance.yahoo.com). The population of this study is all banks listed on IDX during the period 2014-2022. This research performs unbalanced panel analysis with 80 observations from 30 Indonesian banks listed on Indonesia Stock Exchange from 2014 to 2022 that fulfilled sampling criteria. Research variable formulations are derived from (Ridwan et al., 2022). This research uses E-views 13 software as a tool to conduct multiple regression analysis to test the role of book-to-market ratio (B/M) in mediating the relationship between asset revaluation and return on asset (ROA) on leverage to see the impact on return on equity in the next period (ROEt+1), and also path analysis (sobel test) to examine the mediation effect.

4. Research Finding

a) The probability for asset revaluation (AR) on the book-to-market ratio (B/M) is 0.0453 (< 0.05), with a coefficient of -0.134685. This indicates a significant negative effect of AR on B/M.
b) The probability for return on assets (ROA) on the book-to-market ratio (B/M) is 0.0000 (< 0.05), with a coefficient of 0.843276. These findings demonstrate a significant positive effect of ROA on B/M.
c) The probability for asset revaluation (AR) on the debt equity ratio (DER) is 0.4522 (> 0.05), with a coefficient of -0.023494. There is insufficient evidence to support a negative effect of AR on DER.
d) The probability for return on assets (ROA) on the debt equity ratio (DER) is 0.0000 (< 0.05), with a coefficient of 0.681556. These results indicate a significant positive effect of ROA on DER.
e) The probability for the book-to-market ratio (B/M) on the debt equity ratio (DER) is 0.0042 (< 0.05), with a coefficient of 0.176968. This shows a significant positive effect of B/M on DER.
f) The probability for asset revaluation (AR) on future return on equity (ROEt+1) is 0.3381 (> 0.05), with a coefficient of -0.020107. There is no sufficient evidence to support a negative effect of AR on future ROE.
g) The probability for return on assets (ROA) on future return on equity (ROEt+1) is 0.0000 (< 0.05), with a coefficient of 0.599231. These findings show a significant positive effect of ROA on future ROE.
h) The probability for the debt equity ratio (DER) on future return on equity (ROEt+1) is 0.0042 (< 0.05), with a coefficient of -0.483758. This indicates a significant negative effect of DER on future ROE.
i) The probability for the mediation path of asset revaluation (AR) → book-to-market ratio (B/M) → debt equity ratio (DER) is 0.09181574 (> 0.05). This shows insufficient evidence to support the mediation of B/M in the relationship between AR and DER.
j) The probability for the mediation path of return on assets (ROA) → book-to-market ratio (B/M) → debt equity ratio (DER) is 0.004404 (< 0.05). This suggests that B/M significantly mediates the relationship between ROA and DER.

5. Conclusion and Sugesstion

a) Conclusion

The findings of this study demonstrate that asset revaluation negatively affects the book-to-market ratio, but ROA has a positive relationship. In the second substructure, asset revaluation has an insignificant negative effect on DER. However, both ROA and the (B/M) ratio have positively influenced DER. In the third substructure, asset revaluation shows an insignificant negative correlation with future performance. In contrast, ROA has a significant positive effect, while DER negatively affects future banking performance. This research also shows that the B/M ratio cannot mediate the relationship between asset revaluation and DER. Nevertheless, this study proves that the (B/M) mediates the relationship between ROA and the proportion of debt to equity.

b) Suggestion

Future research should focus on further investigation of the study population, utilizing cross-country studies or shifting the industry emphasis to sectors with higher proportion of fixed asset utilization, such as real estate or manufacturing. Moreover, incorporating control variables like firm size and liquidity enhances the validity and reliability of the research outcomes.

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