

# **Analysis of Financial Performance to Firm Value of Banks in Indonesia**

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## **Abstract**

As investors' rate of return depends on the level of profitability, the company's ability to meet its long-term obligations, and its dividend policy, investors generally pay more attention to firm's financial performance, namely liquidity, profitability, solvency, and corporate dividend policy. Therefore this study aimed to examine the influence of firm's liquidity (loan to deposit ratio), profitability (return on equity and return on asset), solvability (debt to equity ratio and debt to asset ratio), and dividend policy (dividend payout ratio) to firm value (price to book value). This study employed banks listed on Indonesia Stock Exchange for the period of 2012-2016 as sample with the total of five banks using purposive sampling method. Results of F-test showed that all independent variables have significant effect to firm value, with prediction ability of 62.4%. Further, this study showed a significant and positive influence of return on equity and dividend payout ratio on firm value, it implies that an increase in profitability and dividend policy will result to the increase in firm value. Therefore, it is useful for investors to consider these variables of research in order to make the right investment decisions and doing stock trading confidently.

**Keywords:** *bank, dividend policy, firm value, liquidity, profitability, solvability*