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The Effect of Leverage, Asset Tangibility, and Company Age on Company Value in the Banking Sector Listed on the Indonesia Stock Exchange in 2021-2023

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Abstract: *This study aims to analyze the relationship of leverage, asset tangibility, and firm age with firm value in banking companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. Leverage is measured using the Debt to Asset Ratio (DAR), asset tangibility is measured by the ratio of fixed assets to total assets, firm age is calculated based on the years since establishment, and firm value is measured using Price to Book Value (PBV). The study employs a quantitative approach using secondary data and purposive sampling, comprising 44 banking companies and 132 firm-year observations over three years. Multiple linear regression analysis is used to examine the relationships between the variables. The simultaneous test indicates that leverage, asset tangibility, and firm age are jointly significantly associated with firm value ($F = 2.744$; $p = 0.046$). The partial test results show that asset tangibility has a statistically significant negative relationship with firm value ($\beta = -0.427$; $p = 0.022$), whereas leverage ($\beta = 0.029$; $p = 0.145$) and firm age ($\beta = 0.014$; $p = 0.420$) are not statistically significant. The adjusted R^2 of 0.038 indicates that the model explains only 3.8% of the variation in firm value, suggesting that other factors outside the model account for most of the variation. Therefore, the findings should be interpreted cautiously, particularly when considering the model's explanatory power and the generalizability of the results.*

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Introduction

Investor perceptions of an entity's prospects are heavily influenced by the company's value, as reflected in market metrics, one of which is its share price. When share prices rise, this indicates a rise in the company's value, which sends a positive signal to investors.(Anggraini & Siska, 2021)Conversely, a decline in stock prices can reflect a decline in the company's value and impact investment decisions.

One widely used measure for evaluating company value is Price to Book Value (PBV). PBV reflects how much a company is able to create added value on the capital invested by shareholders. A PBV value > 1 indicates that the company's market value is greater than its book value, indicating that the company is positively valued by the market due to its ability to generate profits and manage capital efficiently. Conversely, a PBV score < 1 indicates that the company's market value is lower than its book value, indicating that the company has not been able to optimize its capital and is considered less attractive by investors.(Manurung et al., 2023).

Table 1 Price to Book Value of Banking Companies 2021-2023

Company name	PBV (Price to Book Value)		
	2021	2022	2023
Allo Bank Indonesia Tbk	35.48	5.98	4.07
Bank Bumi Arta Tbk	3.28	1.02	0.81
Bank Mayapada International Tbk	314.46	249.94	190.56
Bank Victoria Tbk	775.92	458.26	410.21

Source:https://www.idx.co.id/

The following table shows the Price to Book Value (PBV) of several banking companies, namely Allo Bank Indonesia Tbk, Bank Bumi Arta Tbk, Bank Mayapada Internasional Tbk, and Bank Victoria Tbk, which fluctuated but tended to decline during the 2021–2023 period. The sharpest declines occurred for Allo Bank Indonesia Tbk and Bank Bumi Arta Tbk, each of which experienced significant year-over-year declines. Although Bank Mayapada Internasional Tbk and Bank Victoria Tbk still recorded relatively high PBV figures, the downward trend remained consistent. This condition reflects a weakening market perception of the companies' performance and could result in a decrease in investor interest in providing capital.Anggraini & Sika (2021)states that a decline in stock prices reflects a decline in the company's value, which can affect investment decisions. One factor that may cause this condition is an inefficient capital structure.. Hidayah & Widyawati (2016)revealed that high levels of leverage increase company risk and potentially reduce market value.

In business practice, using debt as a source of financing is a common strategy employed by companies to drive expansion and improve financial performance. This approach is considered beneficial as long as the company maintains a balance between risk and return. However, when the debt portion of the capital structure is too large, financial risk increases. This can erode investor confidence and negatively impact market perceptions of the company's value.(Dewantari et al., 2019).Hidayah & Widyawati (2016)also found that high levels of leverage tend to increase risk and reduce a company's attractiveness to investors. In the banking sector, this issue becomes even more important given the significant role leverage plays in supporting operational activities, so its management needs to be considered as a determining factor in a company's value.

*Tangibility assets*Age is also a crucial factor in increasing a company's value because it allows it to more easily obtain external financing. Fixed assets can be used as collateral, strengthening the company's position with creditors and providing room for business expansion. Company age is often associated with stability and accumulated experience in business management, which is seen as increasing investor confidence and strengthening the company's position in the market. Long-established companies tend to have a better track record and are considered more capable of facing business challenges.(Anggraini & Siska, 2021).

A number of studies have been conducted to identify aspects that influence company value.Dewantari et al. (2019)states that high leverage can reduce a company's value because it increases the risk of default, which impacts investor perceptions. Conversely,Hidayah & Widyawati (2016)states that optimal use of debt can actually increase profits and have a positive impact on company value. In terms of asset tangibility,Ramadan (2022)stated that there was a positive and significant influence on company value, whileMartin (2022)AndAriyanti (2019)found that the variable did not have a significant influence. Regarding the age of the company,Anggraini & Siska (2021)states that companies with a longer lifespan tend to be more stable and attractive to investors, while researchFurqoni & Asandimitra (2019)actually shows a negative influence.

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Worku et al. (2024)analyzed the influence of various internal aspects on the profitability of insurance companies in Ethiopia during the period 2011–2020. The variables used in the study included leverage, asset tangibility, firm age, firm size, liquidity, underwriting risk, and loss ratio. The results indicate that leverage and firm size have a significant influence on profitability, while asset tangibility does not. However, this study differs from previous research in the industrial sector, the number of variables used, the observation period, and the dependent variable. This study specifically analyzes the influence of leverage, asset tangibility, and firm age on firm value in the banking sector listed on the Indonesia Stock Exchange from 2021–2023, thus offering a new perspective in a different and more focused industrial context.

This study aims to identify the influence of leverage, asset tangibility, and firm age on the value of banking companies listed on the Indonesia Stock Exchange during the period 2021–2023. The banking sector was selected as the study object due to its significant contribution to the financial system and its unique industry characteristics, such as its high reliance on financing structures and asset management. The 2021–2023 period was chosen to provide a more comprehensive and up-to-date picture of the dynamics of company value over a representative timeframe.

The Relationship between Leverage, Asset Tangibility, Company Age and Company Value

Leverage indicates the extent to which a company uses debt financing in its capital structure. If managed well, leverage can increase investment capacity and profit potential, thereby driving an increase in the company's value (Le & Phan 2017) However, when the proportion is excessive, the risk of default increases and investor confidence may decrease.(Dewantari et al., 2019;Hidayah & Widyawati, 2016)On the other hand, high asset tangibility, namely fixed assets such as property and equipment, makes it easier for companies to obtain loans because they can be used as collateral, which ultimately encourages business expansion and increases company value. (Purba et al., 2018; Joni & Lina, 2019;Fauzan et al., 2024)Companies that have been operating for a long time usually have more mature management and a good track record, thus increasing investor confidence in the sustainability of the business. (Yumiasih & Isbanah, 2017;Tunggal & Ngatno, 2018).

H1: There is a simultaneous influence between leverage, asset tangibility, and company age on company value.

The Relationship of Leverage to Company Value

Proper use of leverage allows banks to expand lending and investment capacity, thereby increasing potential earnings and profitability .Le & Phan (2017)states that optimal financial leverage allows companies to increase shareholder returns without incurring excessive risk, thus having a positive impact on the company's market value.Vo (2017)support this finding by stating that efficiently managed leverage ratios can increase firm value through operational efficiency and market capitalization growth. The study was conducted fromLe & Phan (2017)in the Vietnamese financial sector stated that there is a positive and significant correlation between leverage and company value.Nassar (2016)found that leverage has a positive effect on firm value in the UK financial sector, with a regression coefficient of 0.28 Dang et al. (2019) The study also showed that leverage has a positive effect on firm value up to an optimal level of 65%, after which the effect becomes negative. Therefore, the researchers proposed the following hypothesis:

H2: Leverage has a positive influence on firm value

The Relationship between Tangibility of Assets and Company Value

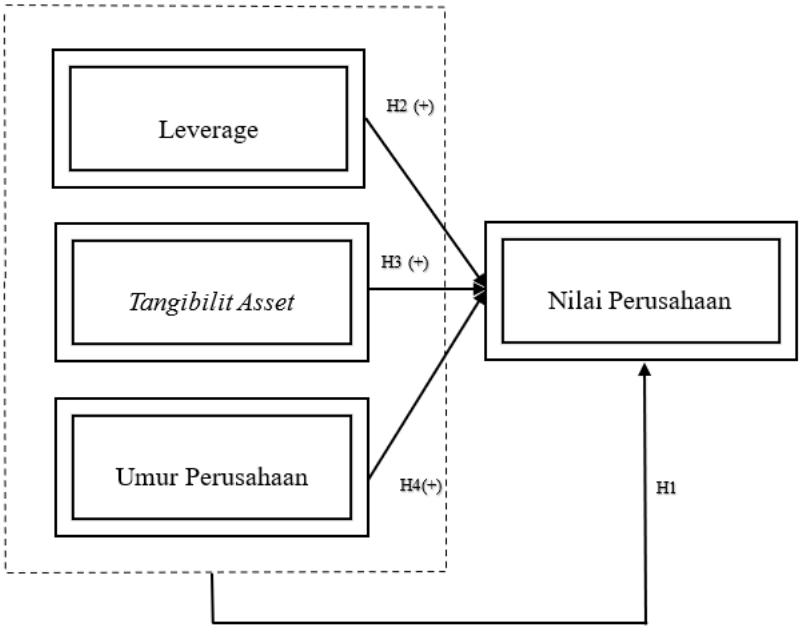
Tangibility assets plays an important role in the company's capital structure because the existence of large fixed assets makes it easier to obtain financing from external parties. (Purba et al., 2018). Fixed assets that can be used as collateral enable companies to obtain loans at lower interest rates, thereby reducing capital costs and increasing funding efficiency.(Joni & Lina, 2019). Fauzan et al. (2024)states that a high proportion of tangible assets expands access to financing sources, supports growth and innovation, and has a positive impact on increasing company value.Purba et al. (2018)also stated that companies with high levels of tangible assets tend to have stronger capital structures because

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they are more trusted by financial institutions. The presence of significant fixed assets can also reflect a solid financial position and a company's readiness for expansion, which creates a positive impression for investors and supports an increase in the company's overall value. Therefore, the authors hypothesize:
H3: Tangibility Assets have a positive influence on firm value.

Relationship between Company Age and Company Value

A company's age reflects its level of maturity in conducting business activities and its ability to navigate market dynamics. Long-standing companies typically have more experience managing resources and developing sustainable strategies.Yumiasih & Isbanah (2017)states that companies with older operating ages have gone through various important phases in their business cycle, so this experience serves as a foundation for improving the quality of management and decision-making. The same research also shows that a company's longevity can shape positive shareholder perceptions of business stability and sustainability. This is reinforced by Tunggal & Ngatno (2018) as well asNoviana & Nelliyana (2017) which found that company age has a positive and significant influence on company value. Therefore, the following hypothesis was formulated:
H4: Company age has a positive influence on company value.



Picture 1 Research Model

Research methods

This study uses a quantitative approach intended to measure the causal correlation between independent and dependent variables. The independent variable in this study, leverage, is tested using the Debt to Asset Ratio (DAR), which is the ratio of total liabilities to total assets.(Kasmir, 2017). Next, asset tangibility is measured using fixed assets divided by total assets.(Joni & Lina, 2010), and the age of the company is measured from the year the company was founded minus the year of research(Susanti & Restiana, 2018)The dependent variable used is company value, measured using price-to-book value, which is the market price per share divided by the book value per share. This study uses secondary data obtained from the annual financial records of banking sector companies. The type of data used in this study is panel data.

The population in this study is banking companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023. The sample was determined using a purposive sampling method through the following conditions: (1) banking companies that routinely submit annual financial reports to the IDX in 2021-2023, (2) banking companies that have data for the variables leverage, asset tangibility, company age, and company value, (3) banking companies that continuously report their annual financial reports in

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rupiah, and (4) banking companies that are still operating and active in the 2021-2023 period. Based on these criteria, out of 45 companies, 44 companies met the criteria, resulting in 132 samples that can be studied.

This study uses a descriptive analysis method and continues with multiple linear regression analysis to measure the influence of independent variables, namely leverage, asset tangibility, and company age, on the dependent variable, namely company value. Prior to conducting the regression analysis, an autocorrelation test was conducted to ensure that the data met the required criteria for proper regression analysis. Next, an f-test was conducted to test the simultaneous significance of all independent variables on the dependent variable in the regression model. Then, a t-test was used to measure the influence of each independent variable partially on the dependent variable, as well as a multiple linear regression analysis test.

Results and Discussion

Descriptive Statistical Analysis

Table 2 Descriptive Statistical Test

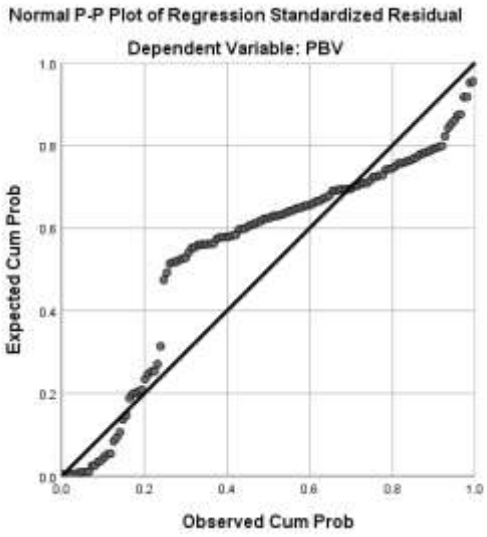
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LEV	132	4.08	91.53	72.5679	21.15776
TANG	132	.05	15.80	2.3905	2.28023
AGE	132	.00	128.00	46.7500	24.27211
LN_Y	132	-.54	17.48	11.5586	4.72653
Valid N (listwise)	132				

Source: Processed Data

Overall, the results of this descriptive statistical analysis indicate that there is a fairly large variation in characteristics between sample companies, especially in the aspects of leverage and company age, which have the potential to have a different influence on the results of the regression tests in this study.

Normality Test



Picture 2 Probability Plot
Source: Processed Data

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After the transformation, normality testing was performed using the Normal PP Plot Regression Standardized Residual method. The plot output shows that the residual points are spread along a diagonal line and form a relatively straight pattern from the bottom left corner to the top right corner. Thus, it can be concluded that the residuals in the regression model are normally distributed.

Multicollinearity Test

Table 3 Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	9.831	1.561		6.299	.000		
	LEV	.029	.020	.128	1.465	.145	.955	1.047
	TANG	-.427	.184	-.206	-2.326	.022	.935	1.070
	AGE	.014	.018	.073	.809	.420	.895	1.118

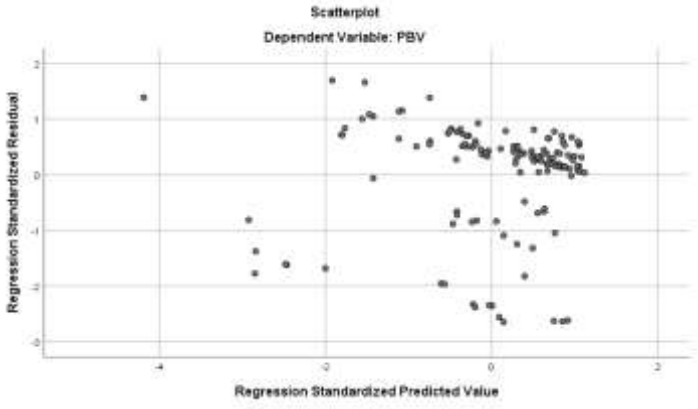
a. Dependent Variable: PBV

Source: Processed Data

Based on the test results, all independent variables in this regression model have a Tolerance value greater than 0.10 and a VIF less than 10.00. These results indicate that there are no symptoms of multicollinearity in the regression model used, making the model suitable for further analysis.

Heteroscedasticity Test

In this study, the technique used for this testing was a scatterplot, which involves observing the dot patterns between the residuals and predicted values. Furthermore, the Glejser test was applied to confirm the results and confirm the presence or absence of heteroscedasticity in the design.



Picture 3 *Scatterplot Graph*

Source: Processed Data

Autocorrelation Test

Table 4 Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.246[a]	.060	.038	4.63489	.060	2.744	3	128	.046	1.814

a. Predictors: (Constant), AGE, LEV, TANG

b. Dependent Variable: PBV

Source: Processed Data

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Based on the test results, the Durbin-Watson (DW) value was 1.814. With a sample size of n = 132 and independent variables of k = 3 (LEV, TANG, and AGE), the Durbin-Watson table shows a lower limit (dL) of 1.6696 and an upper limit (dU) of 1.7624. Since the DW value is within the range dU < DW < 4 − dU or 1.7624 < 1.814 < 2.2376, it can be concluded that there is no autocorrelation in this regression model. Thus, the classical assumption regarding residual independence is met, so the regression model is suitable for further analysis.

Multiple Linear Regression Analysis

Multiple linear regression is used to identify the effects of multiple independent variables on a single dependent variable. In this study, the analysis was conducted to measure how leverage (DAR), asset tangibility, and company age affect firm value (PBV).

Table 5 Multiple Linear Regression Analysis Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	9.831	1.561		6.299	.000
	LEV	.029	.020	.128	1.465	.145
	TANG	-.427	.184	-.206	-2.326	.022
	AGE	.014	.018	.073	.809	.420

a. Dependent Variable: PBV

Source: Processed Data

$$PBV = 9.831 + 0.029(LEV) – 0.427(TANG) + 0.014(AGE) + e$$

Referring to the results of the multiple linear regression analysis, a constant score of 9.831 was obtained. This means that if all independent variables (LEV, TANG, and AGE) are zero, the PBV value is estimated at 9.831. The LEV coefficient of 0.029 indicates that every 1-unit increase in LEV will increase PBV by 0.029. However, this result is not significant (significance 0.145), so LEV does not significantly affect PBV changes. The TANG coefficient of -0.427 indicates that every 1-unit increase in TANG will decrease PBV by 0.427. This result is significant (significance 0.022), so TANG has a significant negative effect on PBV. The AGE coefficient of 0.014 indicates that every 1-unit increase in AGE will increase PBV by 0.014. However, this result was not significant (significance 0.420), indicating that AGE did not significantly affect changes in PBV. Thus, only the TANG variable significantly influenced PBV, while LEV and AGE did not significantly influence firm value.

F Test (Simultaneous)

Table 6 F Statistical Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	176.833	3	58.944	2.744	.046[b]
	Residual	2749.716	128	21.482		
	Total	2926.550	131			

a. Dependent Variable: PBV

b. Predictors: (Constant), AGE, LEV, TANG

Source: Processed Data

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The measurement results state that the calculated F score is 2.744, while the F table value at a significance level of 5% with df1 = 3 and df2 = 128 is around 2.68. Because the calculated F (2.744) > F table (2.68), and the significance score is 0.046 < 0.05, it can be concluded that the LEV, TANG, and AGE variables simultaneously have a significant influence on PBV.

Leverage (LEV) indicates the level of debt used in a company's financial structure. Higher leverage can increase financial risk, thus affecting investors' perceptions of a company's value.

Tangible Assets (TANG) represents the proportion of tangible assets a company owns. A high TANG value can indicate a less liquid asset structure, which in turn impacts the company's flexibility in generating added value.

AGE (Company Age) reflects the length of time a company has been in existence, which is related to its experience and reputation in the market. The older a company is, the greater investor confidence in its long-term prospects.

These results align with signaling theory, which states that information related to a company's financial structure, assets, and market presence can influence investor decisions. Therefore, these three variables, when analyzed together, provide important signals that influence the market's assessment of a company through its PBV.

t-test (Partial)

Table 7 t-Test Results (Partial)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	9.831	1.561		6.299	.000
	LEV	.029	.020	.128	1.465	.145
	TANG	-.427	.184	-.206	-2.326	.022
	AGE	.014	.018	.073	.809	.420

a. Dependent Variable: PBV

Source: Processed Data

Based on the partial test results, it is known that the Leverage (LEV) variable has a significance score of 0.145 > 0.05 and a t-count score of 1.465 < t-table 1.979, as a result, it can be concluded that LEV does not have a significant effect on Price to Book Value (PBV). These results indicate that the level of leverage or the use of debt in a company's funding structure does not necessarily affect investors' perceptions of the company's value. This can occur because investors have already considered the debt factor as a normal part of the company's funding activities, so the presence of leverage is not a primary consideration in assessing PBV.

Meanwhile, the Tangibility Assets (TANG) variable shows a significance value of 0.022 < 0.05 and a t-count score of -2.326 < -1.979, which is absolutely greater than the t-table, indicating that TANG has a significant effect on PBV in a negative direction. This result is inconsistent with the hypothesis that assumes a positive relationship between TANG and PBV. This finding states that the higher the proportion of fixed assets in a company's asset structure, the lower the company's value in the eyes of investors. Large fixed assets tend to be less liquid, have high depreciation expenses, and limit operational flexibility, thereby reducing market confidence in the company's ability to create added value.

The AGE (company age) variable has a significance score of 0.420 > 0.05 and a t-test score of 0.809 < t-table of 1.979, thus concluding that AGE has no significant effect on PBV. This means that the length of time a company has been in existence is not necessarily a factor that can increase market value. Although longevity is often associated with stability and experience, this does not always reflect a company's efficiency, innovation, or competitiveness. Younger companies can even achieve higher valuations if they are perceived as more innovative and adaptive by investors.

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Thus, of the three independent variables tested partially, only Tangibility Assets (TANG) was proven to have a significant effect on Price to Book Value (PBV), while LEV and AGE did not show a significant effect.

Coefficient of Determination Test (R2)

The coefficient of determination test is a statistical method used in regression analysis. This method assesses the model's effectiveness in explaining differences in the dependent variable influenced by the independent variables. In other words, R2 shows the amount or percentage change in the dependent variable and can be explained by the various independent variables in the regression model.

Table 8 Results of the Coefficient of Determination (R2) Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.246[a]	.060	.038	4.63489

a. Predictors: (Constant), AGE, LEV, TANG

Source: Processed Data

According to the findings from the determination coefficient measurement in the table, the Adjusted R Square figure was recorded at 0.038, or 3.8%. This indicates that after adjusting for the number of independent variables and sample size, the regression model consisting of LEV, TANG, and AGE variables was able to explain their influence on Price to Book Value (PBV) by 3.8%. The remaining 96.2% was influenced by other aspects outside this regression model that were not included or analyzed in this study.

Discussion

The Influence of Leverage, Tangibility Assets, and Company Age Simultaneously on Company Value

The study found that leverage (LEV), asset tangibility (TANG), and firm age (AGE) simultaneously significantly influence firm value (PBV). This finding aligns with signaling theory, which states that a company's funding structure, asset ownership, and long-term existence can provide important signals to investors in assessing its potential and stability.

The simultaneous support of these three variables indicates that proportional leverage, tangible asset management, and operational experience accumulation are complementary strategic elements in creating a positive market perception of company value. In the context of the non-financial sector companies sampled in this study, debt control, efficient fixed asset management, and credibility based on company age are a crucial combination in maintaining investor confidence and increasing competitiveness in the capital market.

These results are reinforced by previous studies such asVo (2017),Joni & Lina (2019), AndYumiasih & Isbanah (2017), which states that capital structure, fixed assets, and company age are closely related to market perception and company valuation. Therefore, integrating the management of these three factors simultaneously is a relevant strategy for increasing company value amidst a competitive industry full of regulatory dynamics.

The Effect of Leverage with Partial on Company Value

The study results state that leverage (LEV) has no significant effect on firm value, as indicated by a significance score of 0.145 (> 0.05) and a t-test score of 1.465 < t-table of 1.979. Thus, hypothesis H2 is rejected. These findings indicate that although theoretically maximum leverage can increase firm value through financing efficiency (Le & Phan, 2017), in the context of non-financial sector companies during this study period, this effect has not been clearly seen.

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This result is in line with researchWorku et al. (2024), which found that the effect of leverage on company performance is not always significant and is highly dependent on the industry context and the quality of debt management itself. Therefore, companies need to ensure that debt use truly adds value, not simply increases scale without accompanying efficiency.

The Influence of Tangibility Assets with Partial on Company Value

This study states that Tangibility Asset (TANG) has a significant negative effect on firm value, as indicated by a significance score of 0.022 (<0.05) and a t-test score of –2.326 <–1.979 with a negative regression coefficient. Thus, hypothesis H3 is rejected, because although the effect is significant, the direction of the relationship found is contrary to the initial assumption, which should be positive. This finding challenges the common assumption that high fixed asset ownership always provides added value to a company's market valuation.

This finding is in line with the results of the studyMartin (2022)as well asAriyanti (2019), which states that asset tangibility does not always positively impact company value, especially if the assets are unproductive or not strategically optimized. Therefore, companies need to be more selective in managing fixed assets to prevent them from becoming a burden and to support sustainable value growth.

The Effect of Company Age with Partial on Company Value

This study also found that company age (AGE) did not significantly influence company value, as indicated by a significance score of 0.420 (>0.05) and a t-test score of 0.809 <t-table of 1.979, with a positive but insignificant regression coefficient. Therefore, hypothesis H4 was rejected. However, theoretically, company age is often associated with stability, experience, and investor confidence.(Yumiasih & Isbanah, 2017)However, the empirical results of this study show that longevity does not necessarily guarantee high company value.

These findings support researchFurqoni & Asandimitra (2019), which also concluded that company age does not always correlate positively with company value. Therefore, established companies still need to innovate and improve efficiency to remain competitive and maintain their attractiveness to investors.

Conclusion

This study was conducted on 44 non-financial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period, with a total of 132 observations. This study aims to identify the effect of leverage (LEV), asset tangibility (TANG), and firm age (AGE) on firm value, tested using Price to Book Value (PBV). The results show that all three independent variables simultaneously have a significant effect on PBV. However, only asset tangibility is shown to have a significant negative effect, thus contradicting the initial hypothesis that predicted a positive relationship. Meanwhile, leverage and firm age do not show a significant effect on PBV.

This study also has several limitations worth noting. First, the adjusted R-squared value in the model is only 3.8%, meaning the independent variables in this study can only explain a small portion of the variation in PBV, while the remainder is influenced by factors outside the model. Second, the presence of extreme data (outliers), particularly in the leverage variable, causes the data distribution to be less normal and potentially affects the regression results. Third, several companies in the sample experienced negative earnings during the observation period, which could bias investors' perceptions of company value.

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